



Right Networks®

eBook

What does **automation** mean for small accounting firms?

# Introduction

Automation is a word that conjures up images of factory floors full of robotic equipment or huge warehouses with robots roving through shelves of merchandise.

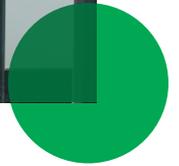
But automation isn't just for manufacturing or managing inventory. Investment in it can produce value for accounting firms, too, if they know what they want to accomplish and can establish a specific set of goals.

The idea behind automation really just involves taking a manual process—one in which people are heavily involved—and setting up technology to carry it out instead. People oversee the technology handling the process rather than engaging in it hands-on.

Something as simple as using a calendaring application to schedule a meeting rather than sending a series of emails qualifies as automation. So does a project as complex as running an entire factory of robot "workers" via an application.

Accounting firms in general are starting to embrace automation. While they don't manufacture anything nor have any inventory, many firms still understand what automation does for accounting firms and how it can provide benefits. A **survey of accountants from Sage** revealed that 43% of respondents believed technology had made them more productive; 40% said they planned on investing in predictive analytic capabilities—a form of automation.





## Why should small accounting firms automate?

But the Sage survey noted a significant exception to the trend of technology adoption in accounting: smaller firms.

The survey concluded that “respondents from smaller firms were less likely to see themselves as early adopters of technology and less likely to be experiencing the benefits of current technology investment—signaling what could be a digital divide between smaller and medium-sized firms. To remain competitive, smaller firms must invest in technology solutions that help them keep up with client expectations.”

There is still an opportunity, then, for small firms to move ahead of their competitors in deriving material benefits from automation, including improving competitive standing by boosting client service and making internal operations more efficient and cost-effective. Small firms also need to automate if they want to keep up with mid-size competitors—or eventually become mid-size themselves.

Perhaps more importantly, owners of small firms who are looking to sell or pass their firms on in the near future need to automate now. Accounting is a famously graying profession. Owners of many small firms are looking to sell and retire soon or perhaps to pass firms on to family or long-time employees. If sellers want to get the maximum price for their firms or deliver maximum value for their heirs, they can't afford to fall behind other firms in terms of automation. A firm that's not sufficiently automated will seem, and in fact be, obsolete in the eyes of prospective buyers. Automation is as much a must for those exiting the profession as it is for those still hoping to be successful in it.

# Make client service the primary focus of automation tools for small accounting firms

Of course, as with any adoption of new technology or implementation of a new strategy, there's no reason to automate just for the sake of automating. Automation comes in many different forms and with a spectacularly wide variety of costs involved.

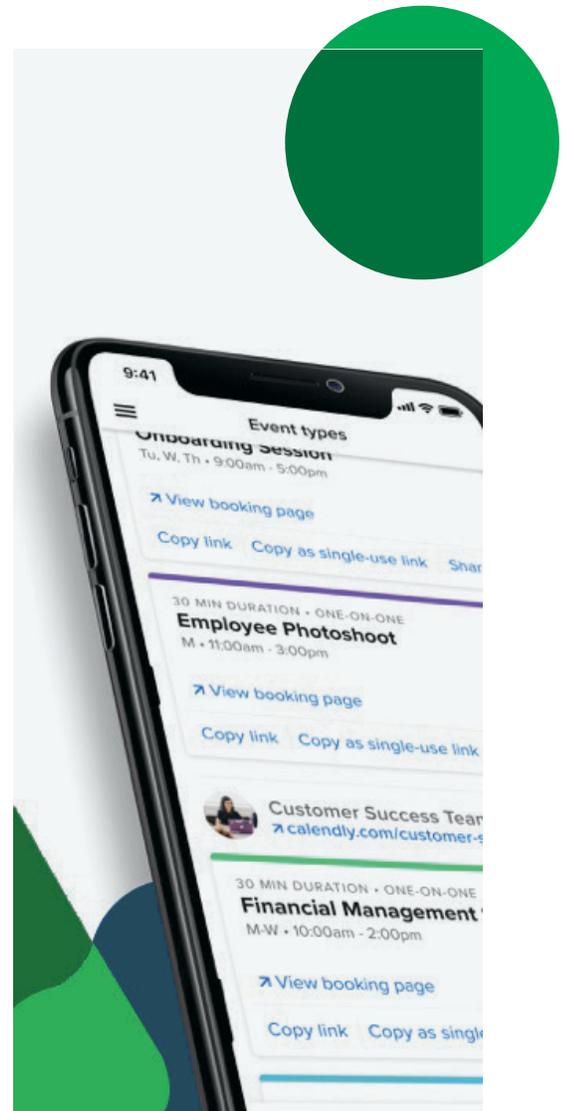
So, what should small accounting firms look to accomplish with automation, and how can they get there?

## 1. Start with the simple things.

Many firms of all sizes tend to look at automation as a way to get their internal processes in order, and it is. But a firm's first priority should always be to improve the client experience. Start with the simple things. What can you do to make your clients' interactions with your firm easier and more rewarding?

Take meetings, for starters. Scheduling a meeting involving more than two people is inevitably a pain, with the process often involving a series of emails among participants, with dates and times bandied about until no one can remember the purpose of the meeting itself.

Instead of using email, try a calendaring application such as Calendly, Acuity or Bookafy. (There are many of them.) Rather than engaging in an infuriating email exchange, let clients use the app to look at your calendar and easily schedule a meeting. Everybody ends up less frustrated. The client experience improves. Believe it or not, this is a form of automation: taking a manual process (email exchanges) and letting an app handle it instead.



## 2. Be ready to train clients if necessary.

Of course, automating to improve the client experience goes way beyond scheduling meetings. Some automation efforts might require training clients to submit information in new ways, but they'll prove worthwhile in a short time. Take how clients send firms information, for example. If clients can send tax documents digitally (say, via PDF) rather than on paper, firms can employ tools that automatically populate forms for processing returns.

Digital files leave a solid custody trail, meaning disputes between whether or not a client sent a particular form will become a thing of the past. The client and firm will know exactly what came through, how and when. More importantly, though, firms can use tools that convert digital files to work with the apps they use to process returns. Instead of a person re-keying critical information, the tool uses optical character recognition (OCR) to move information from the form to the app. All a firm employee has to do is ensure that the information transfers correctly. The transfer itself is automated.

Client participation is the key with using digital files, but asking a client to fill out a form online rather than one on paper should make the client's experience easier, not more difficult. Big vendors such as Thomson Reuters, CCH and Lacerte from Intuit have or work with portal applications that handle file conversion. Drake has an app that is popular with smaller firms. Some firms might have the capability to use digital files and might not even know it.





### 3. Eliminate manual processes in as many ways as you can.

Beyond tax preparation, the accounting side of firms can benefit from automation as well. Most banks have application programming interfaces (APIs) that can connect with QuickBooks® and other accounting systems to move data automatically from one source to another. And if one app or another doesn't automatically cooperate, you can use **Transaction Pro from Right Networks** to move data seamlessly and automatically.

Firms can also take lots of smaller but no less important automation measures to enhance the client experience. Digital-signature apps remove much of the hassle and all the paper from the process of getting documents legally signed. Invoices with payment links included remove steps from the billing process, eliminate errors and make clients' payment experience a little less painful.

Running all these applications **in the cloud with Right Networks** ensures the same level of security that big banks enjoy while also letting your firm's employees work in the same applications at the same time, from anywhere and at any time.

# Consider your work culture when you use automation tools within your small accounting firm

In some ways, planning to implement automation gets more complicated when you apply it to operations that aren't client-facing. Firms can still realize important benefits from internal automation efforts. They just need to understand what their goals are.

## 1. Think about how you want to use your employees.



The truth is that most automation projects across industries are aimed at “reducing headcount”—simply put, having fewer people do the same amount of work, if not more. Robots are replacing human workers on assembly lines and in warehouses. Self-checkouts at retail stores have led to a reduced need for employees at cash registers. Automation is scary for a reason—it really can replace human effort fairly cheaply and easily.

You might not need—or want—to lay people off, but hiring fewer people is a solid goal for many small accounting firms. Good employees are tough to recruit and keep. Think about the tasks your best employees are doing that you could potentially automate—data entry, simple filing and other manual tasks. Is there a way to let an app handle those jobs and liberate people to do something more directly of value to the firm? If so, automate those tasks first. Setting up a portal that processes tax forms using OCR, as described in the previous section of this eBook, is one example of automation that can set employees free from a cumbersome manual process and also improve the client experience.

Do you hire temporary or extra employees for tax season? Think about whether or not you really need to. If they're handling fairly menial tasks, you might be able to automate some of those processes. Cutting down on the number of paper tax forms you receive and replacing them with digital forms is one way to avoid needing extra help from January through April. And if your firm really is struggling, you might need to let staff go. Again, look at where automation can replace what those employees are doing. Remember, in almost any situation, most employees will be happy to leave boring and repetitive tasks to technology.



## 2. Take a look at customer relationship management.

If you haven't already found an app to handle payroll, timesheets and other routine processes, you're way behind other firms and most other small businesses. But you're also behind if you don't have a system to manage contact with your clients. A customer relationship management (CRM) app can solve that problem.

Accountants love spreadsheets, but spreadsheets aren't always the best tool for everything. Many firms keep up with customer interactions on spreadsheets, but that technology offers little in the way of analysis of how you're managing a client. Plus, spreadsheets tend to proliferate and often require manual entry of data into some other system, introducing the possibility of errors.

CRM systems let you track all your client interactions in place, for everybody in the firm to see at the same time. They also provide you with a place to catalog client interactions and offer analytics that give you a general sense of how happy a client is with your firm at any given moment. CRM helps prevent important client interactions from slipping through the cracks when you're busy. CRM is dependent on accurate data and frequent reporting, of course, but they deliver advantages that spreadsheets definitely don't.

### 3. Use evaluation tools to improve the employee experience.

Once you've decided which employees should do which jobs in an automated environment, you can use automation to track employees' performance. There are obvious and well-known human resources functions in systems from vendors such as ADP, but accounting firms can take automated employee management a step further.

Vendors including ADP, Paychex, Gusto, Zenefits and BambooHR, among others, offer comprehensive evaluation tools that automate the process of keeping up with employee data. You can track key metrics such as utilization rate, open receivables and progress with client projects per employee automatically, with minimal human intervention. Of course, you can also track more basic metrics, such as time and billing.

The idea is to create the best possible work atmosphere for your employees while making them as productive and efficient as your firm needs them to be. You're not so much checking up on them as you are optimizing the way they work—enabling them to do what they do best and like best, all to the benefit of your client and your firm. Automated employee management should be a tool for employee retention and recruitment, and it might just set you apart from similarly sized competitors that have not yet embraced automation.



# Remember that there are limits to automation tools for small accounting firms

While automation has the potential to improve firms in a vast array of areas both client-facing and internal, firms should nevertheless guard against over-automating. Remember that clients come to you because they trust you. They want your personal expertise over the cold calculation of a machine. **Your business is being their trusted advisor.**



Only automate the client experience to the extent that automation improves the experience. If your automation effort makes your firm seem too impersonal, or if clients react negatively to it after you implement it, dial it back a bit. Training clients to use automation is different from shoving it down their throats. The client's feelings still matter—and the same goes for employees, as well.

However, properly done, automation shouldn't be scary for clients or firms. It should improve everybody's experience, both inside and outside the firm. For small accounting firms, automation is something to embrace—and quickly, so you won't fall behind.