

# The passionate practitioner:

Developing the  
digitalised small and  
medium practice

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### About this report

For many in the small and medium-sized enterprise (SME) community, the world of accounting is changing. The profound effect of the application of accounting technology to this sector provides significant opportunities for accountants to remodel their practices and to offer increased, relevant, services. In this report we explore the nature of that opportunity, set out the components of the business case and a potential implementation path.



# Foreword



**It is often written that technology is an enabler. It can assist in creating change but of itself it is never the sole driver for. This is especially true if you consider the opportunity for small and medium-sized accounting practices (SMPs) since the evolution of cloud-based accounting software.**

Many economies are increasingly reliant upon small and medium-sized enterprises (SMEs) to drive growth. The accountant in practice has a significant role to play in assisting in that process. Those who have the most to offer are those who have, with their clients, embraced the digital journey. Digital resources offer a world of insight that was once possibly restricted to larger businesses. These new resources enable the accountant to be the true business adviser, one who has time to spend with their clients on strategy, insight and vision.

Changes to the ACCA Qualification have incorporated not only the capabilities for employing the data analysis skills that SMPs now need but also the professional skills that add value in the way that their clients now require.

At the heart of this is the embracing of digital technology: cloud-based accounting applications that capture information and process it seamlessly. Seizing this is a significant opportunity for the SMP of today and tomorrow.

**Helen Brand**  
Chief executive, ACCA

# Contents

<b>Introduction</b>	<b>6</b>
<b>Executive summary</b>	<b>7</b>
<b>1. Digital accounting software, a brief overview</b>	<b>8</b>
1.1 Full proprietary systems	8
1.2 Native digital applications	8
1.3 Digitalised desktop products	8
1.4 Platform selection	9
1.5 Scalability	9
<b>2. The impact of digitalisation</b>	<b>10</b>
2.1 Revenues and growth	10
2.2 Identifying the client base	11
2.3 Managing the workload	11
2.4 Working practices	11
CASE STUDY: Dawn Williams, Resilia Accounting Services	12
2.5 People and skills	13
CASE STUDY: Nigel Adams, Ad Valorem	14
2.6 Value-added services and the move to advisory	15
CASE STUDY: Bright Amisi, Avante Advisory Services	17
<b>3. Why digitalise?</b>	<b>19</b>
<b>4. Benefits of digitalisation</b>	<b>20</b>
4.1 Time and cost	20
4.2 Strategic drivers – adding more value for clients	21
4.3 Skills and resources	21
CASE STUDY: Heather Smith, ANISE Consulting	22
4.4 Digitising tax reporting	24
<b>5. Future developments</b>	<b>25</b>
5.1 The evolving application set	25
5.2 Remaining relevant	25
5.3 Other considerations	25
CASE STUDY: Nathan Keeley, MHA Carpenter Box	26
<b>6. Implementation</b>	<b>28</b>
6.1 Transforming the implementation approach	28
6.2 The overall journey	28
6.3 Implementation roadmap	29
CASE STUDY: Fou-khan Tsang, Alfa Accountants	31
<b>7. Conclusion: The accountant of the future</b>	<b>33</b>
CASE STUDY: Christian Terry, PI Accountancy	34
<b>References</b>	<b>36</b>
<b>Acknowledgements</b>	<b>37</b>



# Introduction

**Digitalisation represents the greatest opportunity accountants have had to transform their businesses since the invention of the spreadsheet, not only transforming ways of work, but changing the role of the accountant itself. Practices that fail to adapt to the new ways of working run the risk of being left behind.**

Accountants played a vital role in the earlier development and adoption of business IT: finance was one of the first functions to be automated. Accountants became the natural business partners and consultants within large enterprises as they computerised and re-engineered all their business processes.

Fast forward to the present and there is a sense that small business accountants may be lagging behind, with many still working in a desktop or even paper-based mode in an increasingly digital world.

But the tools now exist for accountants to digitalise their practices and transform the

way they work with clients. Rather than just saving time and money, digitalisation creates new spaces for accountants working with the SME sector to move into: not just as financial or even technology experts but with the time and information to act as true business advisers.

At the same time, the move to digital will restate one of the fundamentals of the accountant – the client relationship: for many small business leaders, of all the professionals that they work with in connection with their business, the accountant is the one they trust, the one who 'has got their back', who stands between them and the government.

This report, which is based upon a series of interviews with leading practitioners, examines the experiences of several accountancy firms that are on various stages of the journey to digitalisation. From their insights and lessons, ACCA has consolidated a roadmap that guides those embarking on, or on the path of, that journey.

Above all, however one word has come up a lot in these discussions: 'love'. Digital accountants have told us that they love the digital technology that can make their lives easier, they love the like-minded clients they work with, they love accountancy itself: they love their jobs – and their lives.

# Executive summary



**Recent years have seen several transformational shifts in the technology available to accountants. Cloud-based solutions with a range of add-ons that integrate with the core product, together with access through broadband and mobile networks, have removed the ‘brown paper bag’ and replaced it with the smartphone and the tablet.**

Not only is there an opportunity driver in this; there is also a compliance driver. For many governments, the collection of tax data by electronic means has become essential in managing the collection regime efficiently. This creates an imperative for businesses and their accountants to embrace the digital agenda.

The case for accountants to adopt these technologies has never been stronger. Yet, it is a confusing landscape of varied suppliers and a myriad of application add-ons that tailor the core product for specific industries and/or geographies.

For this report we have interviewed a range of early adopters, those at the forefront of the digital transformation for the accountancy practice. Why did they do it? What were the benefits for their clients? What benefits did it give them? What lessons did they learn from it, and continue to learn?

Success in adopting this model enables accountants to reposition themselves as people who can add value through strategic advice, using data collected from clients. The accountant has more information to work with, available on a more immediate basis, than ever before. The emphasis of the client relationship moves away from compliance towards advice.

It is not only a technology story. Success in this model requires a different approach to skills and talent from that of the traditional SMP. Having the skills to translate data into value-adding information and then to provide effective and constructive commentary is essential: the accountant as the true trusted adviser.

The implementation can be split into three phases, shown in Figure ES1.

Each of these has components of people, process and technology. It is important to balance each of three elements throughout.

In developing the strategy and plan, it is important to identify the market segment on which the practice will focus. Digitalisation allows practices to focus on

particular market or geographic segments. In 2019 the potential range of options is greater than ever before.

Capability development focuses on the transition to the digital practice, or the creation of a new one. A key component of this phase is the emphasis on resources and skills.

Once established, the successful practice needs to take advantage of the changing software environment; to maintain its advantages and grow, seeing new opportunities as its clients develop with it.

Above all, however, the message from those interviewed is that they enjoy this work. They have a passion for their business and their clients’ businesses.

**FIGURE ES1:** Tangible steps for public sector finance and accountancy professionals



# 1. Digital accounting software, a brief overview

**Digital accounting is the sharing of a single accounting system between accountants and clients, hosted in the cloud. For some accountancy firms, this is a natural evolution from a server and remote desktop-based approach; others are building digital practices from the ground up.**

The software options fall into three groups: full proprietary systems, native digital applications and digitalised desktop products.

## 1.1 FULL PROPRIETARY SYSTEMS

This is best exemplified by Crunch Online Accountants, founded in 2009 to provide an all-inclusive service to small limited companies by developing its own digital bank feeds and receipt scanning software (Crunch 2019). Crunch has since expanded its offering to support growing businesses (using a Sage platform) and sole traders via FreeAgent (see below), and offers a range of financial services.

## 1.2 NATIVE DIGITAL APPLICATIONS

FreeAgent was founded in 2007 by freelancers who were frustrated by traditional accountancy and created an online, subscription-based model. It rapidly gained a user base among IT contractors, freelancers and microbusinesses. After being purchased by Royal Bank of Scotland for approximately £53m in 2018, it became the first platform to offer direct bank feeds via the UK's Open Banking platform (Molyneux 2018).

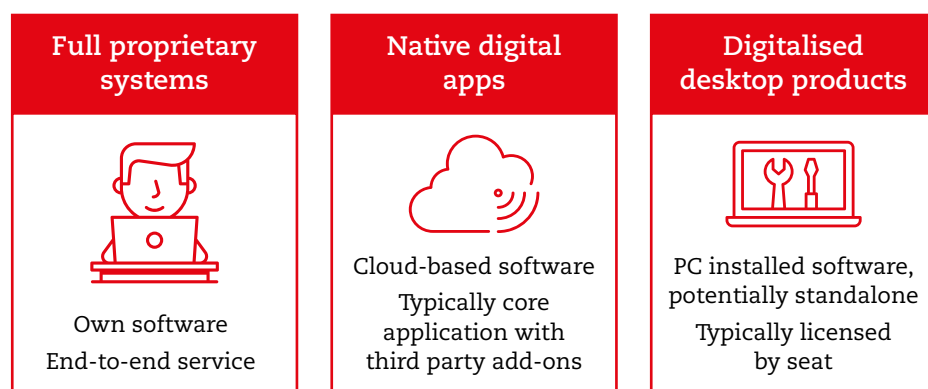
New Zealand-based Xero was founded by another accountancy outsider, serial software entrepreneur Rod Drury. The company had rapidly acquired 1.4m subscribers in 180 countries by the end of March 2018 (Vamos 2018); and 'unicorn' status – a valuation in excess of AU\$7bn.<sup>1</sup> Based on the 'single ledger' concept, Xero's open application program interfaces (APIs) have led to the creation of an 'ecosystem' of over 750<sup>2</sup> independently developed apps, which extend Xero's functionality (Xero 2019).

Xero certifies and facilitates connections via application programming interfaces (APIs) and has begun to curate them into recommended suites.

## 1.3 DIGITALISED DESKTOP PRODUCTS

As the 'digital natives', those who have grown up in the internet age, have been rebelling against 'traditional' software, the established accounting software firms that produced it have to a certain extent been playing 'catch up'.

**FIGURE 1:** Digital accounting software options



<sup>1</sup> Yahoo Finance. Market capitalisation as stated when accessed on 2 March 2019. Equivalent to £3.75bn or US\$4.95bn at that date.

<sup>2</sup> The number of apps will vary by country (Xero 2019).



**Choice of platform depends not just on functionality but also on client preferences and the practice's position in its lifecycle, with start-ups more likely to opt for the simplicity of a single platform.**

In 2018, Sage rebranded its Sage One and Sage Payroll products as Sage Business Cloud, a subscription model with low-cost entry points. While the top end of digital offerings continues to rise, Sage already offers support up to enterprise level, while supporting three million businesses with fewer than 10 employees each (Sage 2019).

Intuit's QuickBooks also benefits from a large user base, particularly in the US, and its QuickBooks Online platform has rapidly attracted 3.6m subscribers (Intuit Quickbooks 2019). QuickBooks also benefits from app integrations, as do Sage Business and IRIS. Many software providers, such as Expensify, Hubdoc and Receipt Bank support multiple platforms.

#### **1.4 PLATFORM SELECTION**

Choice of platform (online accounting platform) depends not just on functionality but also on client preferences and the practice's position in its lifecycle, with start-ups more likely to opt for the simplicity of a single platform.

Established practices will be guided by the needs and existing software of their clients, for whom the online version of their existing platform may be the obvious, if not automatic, migration.

Some will therefore end up with a hybrid approach by default, or deliberately choose to be 'platform agnostic'. But many are insisting that clients move to a single platform, and there is little appetite for supporting more than two vendors. Although more and more vendors are emerging, first-mover advantage has played a considerable part in this market.

#### **1.5 SCALABILITY**

It is also worth mentioning Microsoft Dynamics 365, which offers a way into the online enterprise resource planning (ERP) capabilities that many see as the logical future of online accounting. Given that existing ERP vendors have struggled to scale-down their offerings, it is possible to create an 'app stack' that offers ERP functionality from an accounting core, as demonstrated by Xero.

At the other end, highly simplified or fully automated solutions are emerging, targeting microbusinesses with very simple requirements. These businesses are extremely price sensitive and may be willing to dispense with the services of an accountant altogether for a DIY approach: the digitalisation of tax could be the start of a 'race to the bottom' on fees. In the UK, the online TaxGo service offers a QuickBooks-based accounting and tax compliance service, which is still accountant-backed, for less than the retail price of the software. On the other hand, this client segment is of less interest to accountants who seek to develop value-added services and support growing businesses.

In this report, the main focus is on the 'native digital applications'.

## 2. The impact of digitalisation



**Digitalisation changes not just the way accountancy is done, but the structure and purpose of the practice itself, with significant benefits for both the accountancy firm and its clients.**

Technology is only the enabler. The implications of adopting cloud-based accounting software range across the whole practice: how it operates, generates fees and the skills needed to address the needs of its clients effectively.

These implications can be broken down into six areas, shown in Figure 2.

### 2.1 REVENUES AND GROWTH

Digitalisation is an engine for growth: start-ups report rapid customer acquisition and digital practices-within-practices have exceeded expectations in both migrating clients and attracting new businesses. Acquiring digital customers must be paced to allow for adequate migration, training and on-boarding.

#### Time

The most immediate benefit here is time: time released from mundane and compliance-related tasks is freed for business development, relationship management and focusing on value-added work.

#### The changing fee model

Digitalisation changes how and when revenue is generated: fixed fee, monthly subscription models create a solid and predictable year-round revenue stream.

Most practices interviewed offer a tiered model, based on client size and/or bundled services, ranging from low-cost, low-touch models at the bottom end to a 'virtual chief financial officer (CFO)' service

at the other. Services can be added as monthly bolt-ons, such as payroll, or one-off services such as assessing personal tax and financial reviews.

Chris Hopper CEO of Accodex, an Australia-based practice, says his pricing is value or market based.

*'We use pretty much every single pricing methodology to get to the outcome', he says. 'We use [an] hourly rate, value pricing, performance-pricing fixed-fee stuff, depending on the nature of the actual work. So, if it's a big job, we will actually use a combination of all of those things'.*

**FIGURE 2:** Impact of digitalisation



While flexibility is often promoted as a staff benefit, the advantages for employers are clear. Bringing in more home-based resources allows the headcount to grow or to flex without requiring extra office space.

## 2.2 IDENTIFYING THE CLIENT BASE

Digitalisation helps firms clarify both who their clients are, and how they can help them grow and improve their businesses. By spending more time with clients, accountants learn how their businesses work, as well as what their business, and even personal, goals are.

### Specialisation: understand your strengths

This focus on clients can develop into more niche and vertical specialisations, which can extend the reach of the practice beyond its geographical base. Offerings that target businesses of a certain size, or a specific market or industry segment can be offered without the need for face-to-face meetings, and instead rely on virtual communication. Other accountants see digital as offering the opportunity to do the exact opposite and spend less time behind a computer and more 'in the trenches' at their client's premises.

*'Understanding and playing to your strengths as a practice is very important and allows you to deliver value-based services from a common template. We, as many progressive smaller firms agree, value collaborative relationships with other accountants and third parties in order to ensure our customers receive best advice at all times'.*

**Nigel Adams, Ad Valorem, UK**

## 2.3 MANAGING THE WORKLOAD

Digitalisation also allows smoothing of the workload. Although few firms who took part in the interviews seem to be reducing headcount, staffing levels are no longer determined by peak demand. Filing deadlines no longer result in long hours and late working: preparatory work on filings can be done continuously throughout the year, giving the client better visibility of their business and tax liabilities, leaving a minimal amount of work at year end.

This increases the 'touch points' with the client, which creates opportunities and enables better all year-round service.

*'In January all the other accountants are doing tax returns, whereas I'm signing up new business and doing project work and improving the bottom line'.*

**Alex Falcon Huerta, Soaring Falcon, UK**

## 2.4 WORKING PRACTICES

Digitalisation clearly enables more flexible and creative working practices, and this flexibility expresses itself in many ways.

### Flexibility for staff

The anytime, anywhere nature of the cloud allows employees to free themselves both from office hours and the office itself. Within limits – and backed up by clear security and data protection policies – accountants can fit when and where they work around other demands on their time.

Firms report keeping their offices open longer and longer to suit early and late starters, or people who want to work a patchwork of hours.

While flexibility is often promoted as a staff benefit, the advantages for employers are clear. Bringing in more home-based resources allows the headcount to grow or to flex without requiring extra office space. Staff regain the time and expense of commuting, while the firm gains resilience against travel disruptions.

Digitalisation means there is less need to travel to clients to collect data: this can be a gain where local conditions or personal issues make travel difficult. But it can equally enable greater mobility and more time spent visiting clients to learn about their businesses and developing relationships.

### Flexibility for clients

Clients can work more flexibly with their financial data: accessing it out of hours, doing bank reconciliations when on the move, and so on. Just as accountants can see their client operations, so clients can see what accountants are doing in their ledgers, and if the claims match up to reality.

While digitalisation does not enforce flexible working on both sides, the incentives all point in the same direction.



## CASE STUDY: Dawn Williams, Resilia Accounting Services



**For Dawn Williams of Resilia Accounting Services, based in St. Lucy, Barbados, digitalisation is all about ‘making business easier’.**

‘Digitalisation makes sense in the era we live in now, and in terms of serving my clients. For me it’s all about speed of service: there are still accountants in Barbados who just use Excel’.

Dawn generally uses QuickBooks, which has a lot of existing users in Barbados, and she also supports Xero and Wave.

‘For my clients, too, it’s mostly in terms of speed: they have large volumes of data, they are small businesses with lots of small transactions. So, for them it’s mostly the speed with which we are able to produce financial statements’.

In future she hopes to add a secure document scanning and storage for clients’ future needs: paper records tend to deteriorate in the Barbados climate.

Digitalisation has also helped reduce travelling:

‘I am mobile, I don’t have an office per se so it’s sometimes more convenient to have meetings via teleconferencing, I suffer from chronic illnesses, but I am still able to serve clients. It weighs on your mind if you are out sick a lot – that was one of the main reasons why I started on my own, for more flexibility. So, we have virtual chats now and then and they know that I don’t have to be there to physically get stuff’.

This does mean a reliance on broadband, which is expensive in Barbados with only two service providers, and this results in a low take-up of technology by clients (this is a general issue with business services such as banking: the cost of doing business is high).

‘Another factor is the government, which has been slow in terms of their adoption of digitalisation. It’s not really a requirement so people tend not to do it: you still find shops where they will manually write an invoice’.

Her pricing model is still time-based and transparent: clients commit to a certain amount of her time each month, with a network of interns and associates billed separately on a flat hourly rate.

‘I’ve been able to train some young people out of university. It’s basically a “learn as you go” process and there’s a willingness to learn’.

Dawn does believe that age can be a barrier to digitalisation, with the majority of business owners belonging to ‘GenX’:

‘There is a lot more resistance to technology: they don’t know how to do it, and neither are they interested. Millennials in a Barbadian context are generally more employees than entrepreneurs’.

But because clients are in general not very tech savvy, there are opportunities to help them set up their accounting in ways that help their businesses in other areas. ‘I have a client [that] is a pharmacy’, Dawn says. ‘Their stock levels are reasonably high: annual stock-taking means some of the stock had to be thrown away, so we introduced them to the concept of constant stock taking’.

Although progress is slow – ‘we are not fully there’ – Dawn believes that digitalisation offers great opportunities, to make business in Barbados faster, more efficient and cheaper, which could hold the key to the island’s future:

‘There’s a need for competitiveness on a regional or international scale: Barbados does not have many natural resources, we are a people-driven economy and we survive on services’.

Digitalisation, and the move to advisory and value-added work, will require accountants to develop new, 'softer' skill sets on top of their core financial skills.

## 2.5 PEOPLE AND SKILLS

### Developing the digitalised skill set

The foundation for digitalisation must be comfort with, and confidence in, using the systems, and that depends on training. Digital systems are increasingly user-friendly and intuitive to use, but they cannot reach their full potential unless people understand and use all their capabilities.

*'One of the things I've found with training people on computers, is that somehow, somewhere along the line, some people actually missed out on computer training, and they're doing work the long way around, because they were unaware of the alternative, easy options'.*

**Heather Smith, ANISE Consulting, Australia**

Digitalisation can also be a difficult transition for skilled staff members where the technical areas they excel in are 'digitalised away'.

'A lot of it comes down to training, and reskilling and making sure that that person feels valued in the company, and what opportunities are there for them', says Heather.

### The skill set for the digitalised age

Digitalisation, and the move to advisory and value-added work, will require accountants to develop new, 'softer' skill sets on top of their core financial skills.

Recruitment practices will have to change. Whereas in the past accountants could recruit mainly on a basis of accounting competency there is now more need to look at digital skills (ACCA 2016) and a good cultural fit.

EQ – emotional intelligence (ACCA 2018a) – and interpersonal skills will play a much bigger part in future, as will broader business skills such as marketing.

Whether it is better to take on people who are qualified accountants and equip them with these 'soft' skills or recruit directly from industry or even school and then develop the necessary accountancy skills is an open question. Only the largest practices will be able to maintain skills in silos: the accountant of the future is a much broader-based and more hybrid individual (ACCA has considered the skills of the accountant of the future in ACCA 2016, and the consequent implications on personal development and learning pathways in ACCA 2018b).

But the ideal accountant – tech-savvy, financially literate and business aware – will be in short supply and attractive to other employers in a way they have not been before. There is strong competition for talent in this sector and employers need to consider how they differentiate themselves and ensure the development of their talent. Offering attractive career paths and rewarding work will be key. This clearly needs to be in the context of an accounting qualification.

### The outsourcing option

For some, digitalisation has allowed the firm to revisit the outsourcing option, enabling them to collaborate with accountants in the Philippines or India for activities such as accounts preparation – although this is in many ways still a stopgap before complete automation of the relevant processes. Future outsourcing or offshoring arrangements will be more collaborative, based on skills or the need for local resources.



## CASE STUDY: Nigel Adams, Ad Valorem



**Digitalisation brings clients and accountants together in the same system, a technical advance with profound human consequences. According to Nigel Adams:**

‘A kickback from digitalisation is that you need more emotional intelligence. You can’t sit behind reams of books and not engage with clients. Unfortunately, those firms that ignore this will find it more and more difficult to compete’.

This comes down to having the right employment mix. Nigel says his staff retention is very high, but staff acquisition is also very high to keep pace with the firm’s extraordinary growth.

‘We’ve just bought on three quality new recruits from other practices, all under 30, because their practices weren’t embracing [new technology and] not just the way in which you work with clients, but also the whole work environment’.

Nigel also recruits school leavers – some of whom have already been recognised as ‘rising stars’ in the profession:

‘I’ve got a broad mix of generations; however, we empower youngsters, so we haven’t got that ingrained culture. For me, it’s about whether they are the right fit for the practice, not necessarily the ones that are qualified, and that’s really important. You can teach technical skills, but changing mindsets is harder’.

Nigel says he will always take a junior staff member with him to client meetings, to help foster that understanding and engagement.

‘People here are learning business as much as they are learning accounting, and digital [technology] is allowing them to do that’.

Nigel adds that success is also about creating an environment to which people want to come, describing his office as a sometimes exuberant place where ‘fun stuff’ goes on.

‘But it’s just to get the energy in the room. There’s a vibrancy to what we try to create here. So, it’s very light, very airy, they listen to music; the R&D guys are always doing TED Talks’. It seems to make people laugh. But it’s a rallying call with the guys here – daring to be different to the stereotypical accountant’.

This lightness of touch extends to working practices: the office is open from half past seven in the morning to seven at night and can extend into weekends – because they want that flexibility with the working week.

‘Some of the guys prefer to work at night; some of them get to work early, that’s perfectly acceptable. And that’s easy to do, because you’ve got remote logins, and you can work wherever you want. It really is how you want [to work] to suit your lifestyle’.

Nigel and his wife and co-managing director now spend a lot of time in Florida.

‘But we work when we’re out there, and the funny thing is you tend to be more efficient when you’re out there, you’re very focused’.

‘Some people say I want to go away, and I want a complete break, and I get that, that’s fine. We came to the conclusion that we enjoy doing what we’re doing. So why would do we not want to do that when we’re on holiday?’

‘And I think that’s what digital is, that’s what digitalisation is doing, [it] is giving you a choice’. ■

Digitalisation breaks down a lot of barriers: accountants can broaden their services or operate outside their local area. If firms remain within those boundaries they will be seen as having nothing special to offer, just a commodity service.

## 2.6 VALUE-ADDED SERVICES AND THE MOVE TO ADVISORY

'You will be passed by if your client does not have a clear view of what value you can add', says Dawn Williams. 'You need a clear vision of what you want to be'.

### The importance of adding value to the client

The move to digital accounting should give immediate value to the client, as time-consuming tasks such as entering transactions, banking and invoice data into the system become automated or automatic.

Once this data is captured, it can be accessed and manipulated, thereby creating greater insights for the benefit of the clients. The service moves from compliance and producing annual reports to providing insight and advice that facilitate improved performance.

Accountants become more proactive: dealing with or even anticipating problems as they occur rather than months later. Digital dashboards and alerts keep track of key performance indicators (KPIs), analysing data and spotting anomalies, such as excessive stock levels.

This both gives clients more confidence to make financial decisions, and helps accountants support those decisions with timely advice: on the best way to purchase a vehicle, dispose of an asset and so forth.

Digitalisation breaks down a lot of barriers: accountants can broaden their services or operate outside their local area. If firms remain within those boundaries they will be seen as having nothing special to offer, just a commodity service.

### Practice or 'business'?

The availability of up-to-date, comprehensive data means it can not only be analysed but also quickly repackaged to support other services: finance and invoice discounting, insurance, even legal advice.

'Are you a practice, or a business?' asks Nigel Adams, who estimates his office now has 24 income streams.

*'Digitalisation allows us to offer a broader range of services and has allowed us to more intelligently engage with our clients in order to understand a bit more of what they need. It's given us the ability to spot opportunities which would otherwise be missed, such as R&D tax credits – to be really, truly proactive and get them a big reduction against corporation tax'.*

**Nigel Adams, Ad Valorem, UK**

Accountants of all sizes have long yearned to become business advisers but their ability to provide value-added services has been severely hampered by the amount of compliance work and deadlines.

Now smaller accountancy firms and sole practitioners are poised to follow the trajectory of the big accountancy firms in the 1980s and 1990s by developing into advisers, coaches and even consultants.

*'Compliance is dead, advisory is the future. Digitalisation facilitates the move to advisory work because you get real-time information and you get visibility of what they are doing'.*

**Peter Winter, managing partner, Carter Backer Winter LLP (CBW), London, UK**

High-growth SMEs were more likely than other businesses to seek out external advice to help guide their strategic decision-making.

### The broader service offering

Accountancy firms may boost their practices by working with experts in anything from IT to human resources (HR), but the owner of the relationship remains with the accountant. This is a trusted, long-term relationship, whereas a traditional consultancy relationship is structured as discrete engagements. It creates the true trusted adviser relationship, one that is accessible to the smaller businesses as well as the larger ones.

Hence the adviser accountant is a different character from the management consultant: data-enabled, financially literate and deeply involved in the client's daily business. Crucially he or she remains an accountant, rather than being, say, a systems integrator in a separate practice. Yet they can bring those typical service offerings to a smaller business audience, perhaps for the first time.

'It's the power of the combination of the ecosystem and the accountant who morphs into a systems integrator', says Mike Day, Xero's director for the education sector in the UK. 'Take farming: with Xero and Figured and Futrli, maybe Receipt Bank, you can go to a farmer and say, "here is the complete system to manage your farm": the accountant becomes effectively the process consultant'. (It should be noted that farming reporting needs more than accounting data). So, while the digitalisation process creates a more proactive approach to financial matters, this quickly broadens into a deeper involvement with client businesses, both individually and as a group.

### Delivering the passion – the trusted adviser

'Accountants need to fall in love with their clients', says Amanda Watts, of TwentyTwo Agency, which specialises in advising digital accountants. 'That's how you get the value add'.

From initial client-based interventions she suggests creating 'mastermind classes' in which accountants get groups of half-a-dozen or more clients around a table to discuss a specific issue. This broadens into deeper, value-adding advice: because they have the full picture, accountants are much better placed than a marketer or consultant to advise on strategy and growth. These meetings also unleash the power of the client base as a network, creating business opportunities for the clients, and cementing the accountant as a central figure in the business community as well as for individual businesses.

This means not merely offering those value-added services but backing that up with clear communication and both business and personal branding: what it is that you 'want to be famous for'. It will be up to accountants themselves to set the limits on the services they provide: a good experience with a trusted adviser does not lead clients to seek out other advice but to demand more from that adviser.





## CASE STUDY: Bright Amisi, Avante Advisory Services



**South African firm Avante Advisory Services has an unusual service mix: its main business focus is already value-added and advisory services, accounting for about 80% of revenues. Director Bright Amisi explains:**

‘We are working with a lot of small businesses and non-profit organisations. We do a lot of organisational design, development work, enterprise development, helping small businesses to set up and grow, to do business process improvement – that’s where the money is’.

Accounting forms part of a suite of shared service offerings and is used to maintain long-term relationships with potential advisory clients.

‘It’s a pretty cheap service, and we charge enough to cover the cost. Accounting helps us to build the relationship: the customers become more comfortable and they understand our value-add. So that’s the main driver to digitise: to just really be able to spend as little time as possible supporting that accounting work’.

Moving to the cloud has offered immediate time and resource savings.

‘We import transactions directly from [clients’] bank accounts, which saves us quite a huge amount of time and once the transaction is imported you have a junior staff member going in to review the classification. We have automated classification rules for most of the transactions’.

Cloud also frees the firm from maintaining an expensive IT infrastructure:

‘We used to have the desktop version of Sage One, which then you needed a server that two or three people connect to and I thought for our size, we were just going into a space we never wanted to. So, the cloud option is the best. We don’t need that IT infrastructure. We don’t even want to manage it if somebody is providing the resource’.

The firm could have opted for a number of platforms, but it chose to stay with its existing partnership with Sage and have an easy migration.

While the main motivation was to reduce cost, digitalisation has proved helpful to the advisory side in other ways.

‘For every client there is a dashboard, where we have some important metrics, which we set for ourselves and the client depending on the type of business.

‘It’s all driven from this data that we analyse, and this is the way we begin to charge a little bit more, because we’re now talking about real stuff that affects the business – it’s not just producing the reports’.

These metrics allow the firm to initiate productive conversations about what needs to change in the business, potential efficiencies and process improvements.

‘They will not ask for it until it’s very late – we know that, but we can see there’s a problem developing so we can alert them. If they want to know more, we explain it to them, and that’s when they need to fix it [so] that we can help them. We share this advice and if they ask for assistance to fix the underlying issues, then, obviously, there’s a fee attached to that. If they want to fix it themselves, it’s fine. They can do it’.

While the company is currently happy with its technology platform, it is keen to push things further: looking at more self-service to avoid duplication of work with payroll and leave administration.

As Avante’s clients grow, they also demand more functionality, in areas such as inventory management. At the moment, Avante is satisfying these demands by adding third-party modules for customers in areas such as retail, but would be open to examining more sophisticated platforms.

Avante’s clients tend to be in the 5- to 50-employee range, and while it will take on smaller clients it does not actively ▶



## CASE STUDY: Bright Amisi, Avante Advisory Services



pursue them. These relationships tend to be initiated mainly by funding agencies that pay for Avante to provide business support services and accounting services to their funding recipient.

These clients are interesting to Avante as potentially growing start-ups, but if they remain small the combination of service demands, and fee sensitivity makes them a 'bid fit'.

□ *'We work with them because they will grow, we don't want to keep them for too long if we don't think they are not moving in the right direction'.*

Avante also has its own accounting in the cloud and this has proved very supportive to the advisory side, for keeping track of time and automating invoicing. The firm has also moved a lot of its proprietary tools to the cloud.

□ *'These were Excel tools that we developed, and then we migrated all of them to Survey Monkey. So, if we are taking on a new client, we want to understand what they do. We [ask] them to complete an online survey, before we do a site visit, which tells us a lot about their business'.*

*'When we are doing business process improvements, we also do surveys of employees, so we have an engagement survey around that: it's all online and all members of the team have access to it, and we have our charts which we extract from it. We have to pay the annual fee for the service but it's really worth it'.*

Digitalisation has liberated data that was formerly trapped in accounting systems and Excel spreadsheets.

□ *'There's an awful lot of information just in payroll data, but nobody ever looks at it or analyses that. This is part of the challenge we face and why we're beginning to think maybe a bit more of self-service directly with the employees would be much more useful'.*

Another area the firm is exploring is in helping clients with automation services for production processes, and bringing production data into the digital world, possibly in partnership with another provider. The ultimate goal is to have a single data profile of each client, with all the important metrics, on a mutually accessible dashboard.

□ *'The one thing I really see that changes everything is [that] we have customers running their businesses, capturing their transactions online and we have access to the same data in real time. It has really changed the relationship with the client: not only is it more efficient but [it] improves the level of trust because we see the data more in real time – you're not waiting for the end of the month to capture transactions and then talk to them a month later about why their business is the way it is.*

*'It starts those conversations up suddenly, you're talking about an issue which needs you to go in, and it turns into a project and you fix it'. ■*



### 3. Why digitalise?

Digitalisation means different things to different people – or rather they prioritise different aspects of it, while still potentially benefiting in all the other ways. The bedrock of digitalisation is the adoption by accountants and clients of cloud-hosted digital accounting software, but this changes nothing if they carry on working exactly as before.

But digitalisation creates opportunities that have the potential to disrupt the accountancy profession completely and transform the client–accountant relationship.

The first of the rationales for digitalising the practice is **digitalisation and liberation of financial data**. Currently this data is fragmented and siloed across paper records, Excel spreadsheets, accounting and other IT systems, and its migration into the cloud.

This liberation in turn relies on **ease of data capture, translation and transmission**. Data can be taken directly from digital invoices and bank records, or ‘scraped’ from invoices by optical character recognition (OCR). Machine learning takes on more of the manual work of coding: identifying and tagging expenses, recognising details recorded on invoices and how they were previously coded. This does not absolve the accountant from the need to verify the accuracy of the coding, especially from a sales tax perspective, but it does provide an informed basis from which this can be achieved.

**Self-service** – clients become the main source of data entering the system, rather than sending or transmitting it to their accountants. Ultimately, data must be captured only once, reducing

duplication of effort. Accountants and clients can similarly ‘help themselves’ to the data they need, rather than relying on periodic reports.

**Commonality of data** – because they are working on the same system, clients and accountants are automatically accessing and discussing the same data.

Not only are they in step but there is also an **immediacy of data**. Ease of data entry and automated links to other systems mean that real-time – or as near as possible – financial data becomes an increasing reality through which to manage a business.

There is also a greater **richness of data**. Because data capture becomes automatic, a lot of contextual data is also captured with the bare figures – the whole of an invoice, for example.

This means that there is no benefit from the data being in any specific location, and we see an **untethering of IT**. Because the data and systems reside in the cloud, accountants and their clients can ‘cut the cord’ that ties them to be in specific locations at specific times. IT infrastructure becomes externally hosted, and desktop PCs give way to mobile devices, such as tablets or even phones, without any loss of functionality.

In fact, there is a greater amount of **streamlining of processes and automation of mundane tasks**. Once data is digitalised, it can be transmitted and tagged and transformed in various ways, opening the way for not just automation but also the application of machine learning. Time devoted to compliance reduces. Processes that were previously broken across banking, finance and accounting applications become a single flow of data.

This streamlining depends on **openness of data and systems**: accounting systems and apps are now designed to integrate and communicate with other systems, and where this is not possible, potentially robotic process automation (RPA) can fill the gaps if the organisation is of sufficient scale (see ACCA 2018c for a fuller discussion).

Finally, openness allows much more **integration and expansion**. Financial systems not only communicate with other business systems but can be integrated with them, and this leads to the creation of an **application ecosystem**, where accounting software is augmented by growing libraries of apps that either extend these systems’ general functionality or have specialist or vertical applications, so called ‘app stacks’.



# 4. Benefits of digitalisation

Several significant benefits were identified by the interviewees, each of which can be incorporated into the business case that defines the digitalisation journey and helps to quantify the potential payback.

In constructing the business case, the benefits can be summarised from the perspectives of the practice clients, the staff and the partners/owners, as shown in Figure 3.

Exploring this further, we can categorise these benefits into several areas, shown in Figure 4.

### 4.1 TIME AND COST

**Time.** The immediate benefit experienced by both clients and accountants is a massive reduction in the time taken to perform financial and accounting-related tasks. Although many of these tasks were mundane, they were often still a drag on the time of senior and experienced staff – and one should not overlook the simple relief of being freed from drudgery.

This time benefit can be realised in many ways. An accountant can spend the time developing the business and servicing more clients from the same resource base. More time can also be spent developing client relationships, giving advice and helping clients with their businesses.

**Timeliness.** Because data is available all the time, clients can be kept abreast of everything from tax liabilities to profitability as they evolve, rather than months later.

FIGURE 3: Benefits to stakeholders

<b>My client</b>	<p><b>Near real-time accounting</b> – improved business insight</p> <p><b>More relevant advice</b> – informed decision making</p> <p><b>Easier flow of work</b> – more focus on generating income, less on compliance</p>
<b>My team</b>	<p><b>Flexibility in working practices</b> – when it works for your team, greater access to varied resources</p> <p><b>More challenging work</b> – at the heart of the client’s business</p> <p><b>Closer client contact</b> – more frequent, more relevant</p>
<b>Myself</b>	<p><b>More rewarding client contact</b> – the virtual CFO</p> <p><b>Practice growth potential</b> – grow with your clients</p> <p><b>Less administrative and more insightful</b> – adding value while maintaining compliance</p>

FIGURE 4: Benefits of digitalisation



Accountants are in the best position to build on their unique relationship of trust and take on the roles of business adviser, coach, consultant, IT guru, HR adviser, mentor: there is literally no limit to the possibilities.

**Cost.** By contrast digitalisation can, in the first instance simply be cost play. In a simple scenario cloud-hosting allows accountants to get rid of costly server-based IT infrastructure in favour of low-cost generic IT. Such digital software is often keenly priced and generally available on a monthly subscription.

**Scalability.** A firm's digital footprint can be rapidly expanded (and shrunk if need be) to support new customers and staff.

**'App ecosystems'**. Core accounting systems are being supplemented by literally hundreds of apps from third-party providers (including accountancy firms), which add functionality and link financial data to other systems, enabling the creation of sector-specific application sets.

#### 4.2 STRATEGIC DRIVERS – ADDING MORE VALUE FOR CLIENTS

**Better data.** Increasingly management accounts readily developed from the cloud solution can be used to support business decision making and planning. High-quality information can also easily be made available digitally to outside suppliers: insurers, finance houses.

##### Big Data and Very Big Data.

Accountants can now perform benchmarking and analysis across their client base using some of the functionality available within the community of users. The data hosted on cloud systems covers thousands of businesses, creating an 'industry lens' based on key financial data.

##### Vertical solutions and small business ERP.

Both solutions providers and accountancy firms are grouping apps into 'app stacks', which can provide 'turnkey solutions' for vertical sectors. From a financial core, these are evolving into business process methodologies that provide online, ERP-like functionality across a wide range of business operations.

**Customer intimacy.** Digitalisation greatly increases the potential 'touch points' between clients from once a year or quarterly to weekly or even daily. Accountants not only gain greater insight into their customers' businesses and goals but also help the customers to achieve these goals.

##### Specialisation and segmentation.

Digitalisation is forcing accountants to examine their own businesses and work out what it is they 'want to be famous for'. Specialisation could be by size or sector: clients can be targeted locally or internationally. Active marketing means accountants can seek out the clients they find rewarding and with whom they want to work.

**Value-added services.** A business cliché but a real and evolving consequence of digitalisation is the shift from reactive, technical compliance-based work to offering services that genuinely add value to client businesses. Accountants are in the best position to build on their unique relationship of trust and take on the roles of business adviser, coach, consultant, IT guru, HR adviser, mentor: there is literally no limit to the possibilities. This is, for many, the goal of digitalisation.

#### 4.3 SKILLS AND RESOURCES

**Workflow.** Because data is live it is worked on all the time. Digital accountants report a massive decrease in deadline pressure: end-of-year filings become a matter of summarising and tidying up work done throughout the year.

**Flexible working.** Systems can be accessed anytime, anywhere by anyone, in the office, on the move, or at home. Practices can both employ staff and service clients who are located anywhere in the world, giving access to niche markets and scarce resources. Using home workers or outsourcing work enables practices to grow without needing new premises

**Headcount.** Accountants tend not to be using automation to decrease headcount, seeing digitalisation as allowing better use of the valuable resource of skilled staff, allowing them to serve more clients with the same resource base.

**Better compliance.** Digitalisation greatly eases regulatory filings and meets the increasing demands of governments for digital recordkeeping.



## CASE STUDY: Heather Smith, ANISE Consulting



**Heather Smith, an FCCA and member of CA ANZ, based in Australia, is not only a qualified accountant and registered agent but also an authority on cloud accounting.**

As the author of *Xero For Dummies* (among other works), she can lay claim to having 'written the book' on cloud accounting.

But her journey into the digital world came from a simple need to do more with less.

□ *'As a mother with two children at school, I recognised that between drop off and pick up I had five hours to work. If I worked at a client's place, I had three hours. But if I could do it online, I had five hours. It made a significant difference in availability of time that I could dedicate to earning money'.*

Heather initially used remote desktop support, but adopting digital cloud technology has freed up even more time. She estimates she's been able to quadruple her client base without physically expanding.

□ *'My entire practice actually fits in my handbag'.*

□ *'The next realisation was understanding that the more value there was in the service I offered, the higher the rate I could charge and the more money I could make. It was all about maximising the five hours available to me'.*

Heather says she now wants to 'automate anything I can possibly automate'.

□ *'Whenever there's a piece of technology out there that will streamline my workflow, that will make my life more effective and more efficient, and that can replace something that I'm doing manually, I'll look to it and assess it. And if it's economically viable and will save me time, I'll adopt it. I'm always happy to pay for technology'.*

Heather makes sure she makes full use of any technology she adopts by setting aside small windows of time to learn all its features and functionality.

□ *'If you look at Xero, when that initially came out, it was a bit of a leap. I set myself up 15-minute chunked learning challenges so that every day, even though I was busy, I would pull out something, test it out, try it, and sort of push myself to learn it. And those 15 minutes built up, so I comprehensively learned the system inside and out'.*

Conversely, if something does not work the way she wants she will go back to the supplier and tell them what she wants or go to her peers in the online forums and see if there is another solution. In one case, a feature she wanted was implemented in 24 hours.

From the beginning, Heather focused on management accounts and giving her clients useful and meaningful information.

□ *'With the shift to online accounting, we now have access to timely accurate data. We're in such a better position because before that the data could be 18 months out of date. So we now have access to online real-time data that we can make data-driven decisions with'.*

This leads to the creation of client 'dashboards' that extract business insights from the data into areas such as cash flow and projects.

□ *'We may call them KPIs or goals or benchmarks. But these are things that actually matter to their business, that the business owner will understand, and that they can use to drive their business'.*

The flipside is that the accountant can also talk to their client about implementing solutions they are adopting themselves. ▶



## CASE STUDY: Heather Smith, ANISE Consulting



“Take a straightforward solution such as Receipt Bank, which scans bills and expenses, extracts the data, and pushes it into your accounting solution. While the accountant can use it in their own business, they can also see the benefits of having clean accounts payable data for their clients’.

As accountants advise their clients about adopting such a solution, they may also start having operational and workflow conversations with those clients.

“They’re actually providing an advisory service. And there are a lot of levels that can take. It doesn’t mean they need to do the full implementation. But they could’.

Accountants have great visibility of what is possible, both from their own client base and the evolving world of conferences and user forums.

For example, Heather spotted a commercial leasing application called Re-Leased at a conference. She recommended it to a client who was able to adopt it to automate most of their repetitive administrative work.

“It’s not necessarily even software, it’s workflow processes. As accountants, we want to get as much data as possible. If our business owners are spending hours doing administrative work, they’re not spending that time actually looking at their data. Implementing an automated solution typically forces processes on the business, and the implementation normally identifies if everything’s going in the right direction’.

Client dashboards can even be set up to alert clients and their accountant if certain indicators move outside a certain range.

“It gives the accountant the opportunity to have a much deeper and more impactful relationship with the client. And it gives the client the opportunity to know they’re making decisions that are accurate and supported by their own financials’.

This means accountants are not only successfully moving into the business advisory area, but also providing better advice.

“We had this trend that business coaches were evolving to be charging five times what we, as accountants were charging. They had no qualifications, no experience, and they were encouraging the business owners to grow just for the sake of growing. But they weren’t helping them make sure the owners had the right structures in place’.

In contrast, Heather has seen clients experience stunning growth based on the streamlined automated processes and better information that digitalisation has given them.

While Heather now has clients all over the world, technology allows her to provide a personal service. For example, she uses Loom to record a video of herself and the accounts she is working on, in which she explains what the client needs to do. ■

But the move is inevitable: after a transition period, bridging software will no longer be acceptable and the requirement will be to link to the source data itself. Digital accounting software will be the only way of satisfying the need for those digital tax records.

#### 4.4 DIGITISING TAX REPORTING

While the initial impetus towards online accounting software was fuelled by active customers frustrated with traditional accounting, this period is closing. Research by the UK200Group of independent accountants and lawyers suggested that 65% of the UK's small businesses do not use software to manage their accounts (Gough 2017).

But soon this will have to change. 'For many firms Making Tax Digital will be the catalyst' says Alex Davis, Business Development manager at Quickbooks. 'People overestimate disruption in the short term and underestimate it in the long-term—but once accountants fully utilise the benefits of digital technology it will increase efficiencies and offer an enhanced client experience.'

Initiatives such as Making Tax Digital (MTD) in the UK are now major catalysts for digitalisation. From April 2019 business will have to submit VAT returns digitally; the government has the ambitious goal of making all tax digital by 2020. A similar 'nudge' is coming in Australia where Single Touch Payroll (STP) has been extended to the country's 2.3m smaller businesses (of which 90,000 are thought to be still using paper records), requiring them to supply payroll information digitally.

'Bridging' software is available, but this creates a massive opportunity for digital accountants to engage with the millions of organisations still dependent on Excel.

*'We got quite frustrated at the [time] that the bridging software was taking to come out, so we've ended up building our own bridging software.'*

**Nathan Keeley, MHA Carpenter Box, UK**

He adds that MTD has been dubbed 'making retirement plans happen quicker' with some older accountants deciding to sell up rather than retrain: 'just cash in and get some value now, rather than in three or four years' time when no one will be buying'.

Purchase ratios for non-digitalised practices have already fallen: in an article for ACCA's AB Magazine Keith Underwood, managing director at Foulger Underwood Associates suggested valuations were normally in the region of 80% to 120% of annual fees (Underwood 2016).

But the move is inevitable: after a transition period, bridging software will no longer be acceptable and the requirement will be to link to the source data itself. Digital accounting software will be the only way of satisfying the need for those digital tax records.

Nathan Keeley hopes that by that stage the digital message will have spread to even the most resistant corners: 'Farming is said to be the hardest nut to crack because you're out in the field all the time', he says. 'But even there you've got to report electronically to Defra (UK government Department for Environment, Food and Rural Affairs) about your cattle movements and any illnesses or any medication you've used.'

'And then people can manage their workforce through it, or use it to manage projects, and capture all that additional information'.

The risk is that MTD can make digitalisation simply seem like another compliance requirement: the conversation should quickly move on to the many benefits digitalisation will bring, and its transformational potential.





## 5. Future developments

### 5.1 THE EVOLVING APPLICATION SET

The development of digital accounting software is following a largely predictable path: more and more automation, the increasing use of machine learning and artificial intelligence (AI), with RPA filling the gaps. Tools such as Fluidly, Spotlight and Futrli already offer integrated forecasting and reporting for small businesses and, while accountants use these, there is a desire for more accountant-specific options to emerge. Practices running multiple systems would also like to be able to take a more holistic view of their data. Meanwhile the growing online user base of the software firms offers the prospect of 'very big data', providing insight and benchmarking across entire sectors and segments.

The developer world is highly active, and responsive, and many practices have teams that can create their own apps.

### 5.2 REMAINING RELEVANT

Firms are increasingly using software to support vertical specialisations, putting together 'app stacks' to offer 'turnkey solutions' (complete systems that work end to end with existing business processes). And by freeing firms from geographical restraints, these vertical facilities can be highly niche and targeted on a national or even international basis. 'One of the strategies I'm giving our team is to say, I want them to come up with the recommended ideal solutions', says Peter Winter of CBW. 'If you're a restaurant, to recommend the appropriate products, or we can give effectively a turnkey solution, rather than saying there are 500 or 5,000 apps available, you choose'.

Those interviewed for this report want more: even better integration, better access to data, more functionality, particularly for larger clients. Practice management software needs to keep pace with developments on the client site. Uptime and accessibility are issues: broadband coverage is far from universal and there are multiple potential points of failure.

### 5.3 OTHER CONSIDERATIONS

Digitalisation may also lead to margin erosion and increased competition for clients, whether from within accountancy or from other sectors, such as banking.

Vendor concentration is another issue: the software market is dominated by a small number of suppliers, many of which are growing extremely rapidly.



## Case study: Nathan Keeley, MHA Carpenter Box



**One of the features of digitalisation is an increasing involvement by accountancy firms in the development process, both by involvement with the major platforms and on their own account. Sussex-based MHA Carpenter Box has taken a 'platform-agnostic' approach.**

Nathan Keeley, Partner at MHA who leads the firm's digital practice says:

□ *'As early adopters, Xero is our most popular platform. However, the client's needs dictate what software they use.'*

Keeley spends a lot of time being involved in roadshows and partner programmes with Xero, QuickBooks, Sage and other suppliers:

□ *'One of the ways they can help to improve is listening to the likes of us to give them honest and sometimes quite brutal feedback. You can give a few suggestions in terms of what they develop next, where they're a little bit behind, and also cover what they do better than the others.'*

For Nathan, the crucial element of digitalisation is collaboration: using technology to put the accountant at the centre of the customer experience, via the cloud.

□ *'Our client experience is so much better than it would be if we were still using desktop software. Any time I have to ask the client for information, or the client has to ask me a question, that isn't being proactive. When its cloud based, we can drive the conversation. We will say, we notice you bought a new car, as opposed to the client telling us.'*

But cloud software is not a panacea.

□ *'There's a danger that people assume that it does everything for you. Everybody says the cloud makes it more efficient and makes everything easy. But to an extent it doesn't, because clients don't always take as much care as they would using desktop software, or a spreadsheet. You get the bank feed-in but you don't properly reconcile it because you assume the software does it for you.'*

*'You can quite often catch a cold and these sorts of client become less efficient: if you don't train the clients properly, or you don't put in the right processes, it will actually be more expensive to deliver the service.'*

Software is also an additional upfront cost, as the firm provides the basic software to clients free of charge. Nathan says:

□ *'With the move to monthly subscription your costs get bigger. As a client, you have a certain amount of pain points and one of the barriers to using software is...its perceived expense, and they don't know how to use it. We usually give them free training so then what barrier have you got moving your business onto a piece of software when it's not costing you anything and your accountancy fees are the same?'*

This cost can be offset against the greater ease of doing the year-end accounts, but that is not the real trade-off.

□ *'If it was only taking cost out of the business, I wouldn't have done it for that reason alone. The main consideration is the client experience.'*





## Case study: Nathan Keeley, MHA Carpenter Box



Nathan says that, traditionally, a client might have three or four 'touch points' a year, mainly revolving around year-end accounts production and related queries.

□ *'The end result of the output is that the clients get a set of accounts they don't really understand or need, a tax bill they didn't really know was coming and an accountancy bill they've got to try and pay at the same time. None of that for me was ever a good experience so now we're digitising all of that: you can see what your tax bill is as is as you go along, and the accountancy fee is split over 12 months to aid cashflow'.*

Add payroll and VAT and Nathan believes the firm now has 40 touch points per client.

□ *'The stickiness of your client is much greater because you're talking to them 40 times a year not four. They don't have eight or nine months outside of that window to look for a better accountant and you don't wait to the end of the year to say, "why did you do that" and tell them their tax bill is going to be six times what they believe it should be'.*

So important is this communication that the firm built its own client portal, which not only allows clients to see and pay their accountancy bills but also to approve their accounts and company secretary matters, and look at payroll and personal tax returns.

□ *'All of our communications in terms of Making Tax Digital and other items have gone through it', he says. 'It saves us a significant amount each year in postage as well as offering a much better experience'.*

Promoting technology to clients is quite easy in the first place, simply because of the time savings. But as the firm begins to have more meetings, accountants can begin to offer genuine business improvement advice based on the insights from the data and from looking at KPIs: better stock level visibility, increased working capital through better collections and so on. If they need finance and the bank is not interested, for example, then that need can quickly be posted onto the Capitalise platform and submitted to up to 150 lenders such as Funding Circle or iwoca, or to invoice discounters.

□ *'None of that is anything to do with accountancy really', says Nathan. 'It even gets down to the FinTech level where firms like Aviva can look at your accounting data and tell if you are insured properly'.*

The firm is also taking on the role of technology adviser and integrator for its clients, advising them on which of the hundreds of apps they need for their own business and offering them as a single connected system.

For Nathan, digitalisation has awoken the 'sleeping dinosaur' of accountancy software and he looks forward to more change in future.

□ *'I've always been so interested in change: I've never wanted to do things the same way next year that we did [in] the last year'. ■*



## 6. Implementation

### 6.1 TRANSFORMING THE IMPLEMENTATION APPROACH

The move to the cloud has transformed the way we implement software. It is possible for a client, or potential client, to go to a cloud application provider, input their company details, link the software to their bank account and be up and running in minutes. They can even find a new accountant at the same time.

The easiest path to digitalisation is to be a start-up, with no legacy systems, practices or existing clients, and many of the digital pioneers were just that. Now we are in a more mature phase where practices, staff and clients need to be transitioned.

Established small or sole-practitioner firms will have to migrate their clients, but the immediate payback in time released will make this relatively painless.

As you move up the scale, 'going digital' becomes much more of a project and more demanding of resources. Larger, more complex clients will also need more support in implementing systems internally.

Larger firms can mimic the start-up approach, budgeting to create a digital practice-within-a-practice. This allows very clear visibility of the metrics

associated with digitalisation while allowing the new entity to develop its own working practices and culture. While such units can and will take on new customers, the initial focus will be on transitioning existing clients, starting from a core of the most digital-ready.

If possible, firms should move clients in an orderly way, by sector or size rather than piecemeal. This may require additional support: some of the earlier digital accountants now offer consultancy and implementation advice to firms who are digitalising.

### 6.2 THE OVERALL JOURNEY

*'Don't try and take on too much initially. If you're looking to adopt technology in your own accounting practice, do it in chunks, implement something, let it settle down, learn it, take some training in it, feel comfortable, let it plateau, and then take on the next piece of the work'.*

**Heather Smith, ANISE Consulting, Australia**

Leadership is important: 'It's always going to come from the top', says Alex Falcon Huerta of Soaring Falcon: 'You have to be focused on that project, and you have to be 100% in. If you fall away from that,

then the team are going to see that, and obviously, it's not going to work. So, anyone who is interested in making the move to digital needs to be passionate about what they do'.

For clients, installing digital software can be a relatively simple affair – in some cases it will simply mean migrating from a desktop version of software they are already using. But it is important to back this up with proper training, which providers should offer as a matter of course. Clients should be encouraged to take up as much as is on offer – at least two or three sessions – and so should accountants. 'You mustn't underestimate training', says Peter Winter of CBW. 'Originally everybody underestimated the value of the Xero certification, but it doesn't take that long to do and you're putting staff through a few hours of online training'. Certifications, while no longer being brand differentiators, are still relevant in establishing a level of competence.

Peter continued, 'Whereas if you say "I'm an accountant, I've been in business for however many years, I understand Sage, it can't be that different, can it?" the answer is that we probably will all work it out. But will we be doing it the best way or the most efficiently?'

The digital accounting community is tightly knit and highly communicative.

Transitioning clients should be seen in the wider context of digitalisation:

‘Potentially one of the most important things is helping clients through their digital journey, not just moving them from their desktop-based to cloud-based accounting systems. Making sure we fully understand really what’s going on today and helping them face some of the challenges of disruption generally [is also important]’.

Richard Spofforth, Kreston Reeves, UK

### 6.3 IMPLEMENTATION ROADMAP

The implementation road map, derived from the lessons gathered from the current adopters, consists of a three-stage process.

#### Strategy and plan

**Work out your digital strategy.** Start by defining what you consider your key markets to be and how they can best be served.

**Assess the current client base.** What software, if any, are they using now – both for accounting and in other areas of their business? Will they welcome the move – or resist it? On what markets do you currently focus – is your practice geographically based or do you focus on particular industries or sectors? Do your customers fall into a size range?

**Assess the future client base.** How much of your digital practice will come from transitioning existing clients and how much from new business? Where will growth come from: will it be like-for-like or will you develop vertical specialisations or move beyond your current geographical range? What will be your future market differentiator?

#### Decide what to do with legacy customers.

Will you gradually wind them down, encourage them to move elsewhere, or charge them fees that reflect their true cost to the business?

**Timing.** Work out when you are going to start, and the pace at which you are going to transition both clients and staff to the new way of working.

**Funding and investment.** Assess the probable impacts, positive and negative, on revenues and resources during the transition, and when you will start to see a payback. Do you need to set aside specific funding for the project? Several countries, such as Australia, offer grants to support the digitalisation.

**Assess staff skills.** Everyone will need training, but some may be more ‘digital ready’ than others. If setting up a separate team, look at the balance of experience within it, and staff’s ability to communicate with and support clients.

**Seek support from peers.** The digital accounting community is tightly knit and highly communicative. There are a plethora of roadshows and conferences and many of these have been captured and put on the Web. Many accountants are happy to discuss their experiences, and some are even moving into paid consultancy to help others digitalise.

**Cyber risk management.** Cyber security is an absolute priority for accountancy firms, none of which would have made the journey had their concerns not been adequately addressed. It is a risk that cannot be ignored, however just because the software and data is resident in the cloud.

FIGURE 5: Components of implementation roadmap



Accountants need to bear in mind that their clients' businesses are also being disrupted, and that by digitalising accounting they have put themselves at the heart of that.

### Capability development

**Try the software.** Most suppliers will offer the opportunity to test their products. Take advantage of this to investigate the features and see if you can persuade your clients to do the same.

**Select a software platform.** This should be primarily driven by the characteristics and needs of the client base, and then the best fit for the practice. Decide early on whether you need or want to support more than one platform. Because clients will be using the software, this is not a purely technical decision: ease-of-use and even aesthetic appeal come into play.

**Decide on pricing models.** The move to digital pretty much entails a shift to a subscription model, paid monthly, and tiered according to customer size and needs or through hybrid pricing models. While firms have a 'shop-window' of three or four service bands, it is possible to create bespoke packages based on clients' requirements. As the advisory side of the business develops, firms will need to decide what advice will be 'given away' as part of the package and what will evolve into separately chargeable products and services.

**Appoint a 'digital champion'** to lead the project or team. This does not have to be a senior partner, but does need to be someone with the full authority of the practice leadership to drive the project.

**Communicate.** Make sure that staff and customers are fully informed of what is going to happen and kept updated on progress. Use social media and tools such as SurveyMonkey for surveys, Zoom, Loom, and Slack for communications, and MailChimp for newsletters, to make sure that communication is two-way and that people can share their concerns and experiences and support each other.

**Skill development and learning programmes.** Ensure that staff and clients are fully trained and certified to use the new systems as effectively and efficiently as possible. Consider the interpersonal skills needed to operate in the new business model.

### Maintain and grow

**Specialise.** Digitalisation offers a renewed opportunity to evaluate and segment your client base, building 'app stacks' that suit particular types of client and vertical sector.

**Keep evolving.** The core of a digital accountancy practice is the accounting platform, plus apps such as Receipt Bank and Hubdoc to handle transaction entry and document management. But this should just be the beginning of a wider move to automate and integrate more and more of the practice and your clients' businesses.

**Use data.** Think about how the increased amounts of data and access to data can be used to benefit both your clients' businesses and your own.

**Add new service lines.** Create new offerings for your clients – financial and non-financial – using the time freed by digitalisation. Establish yourself as a key adviser, enabler of growth and driver of business performance.

**Keep abreast of the digital world.** Digitalisation is not a 'fit and forget' exercise: the software is continually evolving and expanding its capabilities, both internally and through evolving ecosystems of apps. Either set aside time to do this or consider employing dedicated resources. Be prepared for the evolution of the market to be regularly disrupted by waves of innovation that may prompt a complete rethink of your digital strategy.

**Become a digital enabler for your clients.** Accountants need to bear in mind that their clients' businesses are also being disrupted, and that by digitalising accounting they have put themselves at the heart of that. Clients will need support to move to the new system, but the ramifications will spread far beyond that and begin to affect all the processes in their business. Accountants will play a key role in streamlining those processes, linking systems and helping them introduce new apps and functionality.



## Case study: Fou-khan Tsang, Alfa Accountants



**With 950 employees and 14,000 customers, Alfa Accountants and advisers is the tenth largest accountancy firm in the Netherlands, and part of the DFK network. Its customers are mainly SMEs, with a high proportion (40%) of farmers.**

But when it comes to digital accounting it is also 'Beta' – a small start-up within the firm that is growing very rapidly indeed.

This approach stems from lessons learned from an earlier, stalled initiative. Board chairman Fou-Khan Tsang explains:

□ *'We tried this five years ago, and we tried it within the company. So, it was dead before it started.'*

This was partly timing – customers were not ready – but is also a measure of the difficulty of combining new ways of working within a traditional firm.

□ *'For our latest solution we took about 10 young people from our company and created a start-up to do this innovation, because when we have to do it in a company with 950 people, we get 950 opinions and it's not going to go very fast. Beta is kind of sealed off from the organisation: this way you get a lot of results.'*

As well as the obvious pun on Alfa, the name Beta was inspired by Leandro Herrero's concept of the 'Beta Organisation', which is 'unfinished by design'.

But it was originally not merely virtual, but wholly imaginary.

Alfa was selecting new software for accounting and had invited 10 well-established software suppliers in the Netherlands to bid for its new platform.

□ *'They all said you're Alfa and you work with this system and that system and we're good with that. I said okay. but what everybody is talking about is what [we] need for today, but we need software for tomorrow.'*

So, Tsang and his team created instead a fictional digital accountancy practice.

□ *'We built a website and we put people in it and an entire proposition then we asked the software suppliers to pitch [to] that imaginary company.'*

*'In the event, only two of the companies were able to mount an adequate pitch, and the conversation began to shift [from] products for tomorrow to [products for] the day after tomorrow.'*

*'But we have a lot of people in my company [who have been here a long time], so then we had the idea of setting up the start-up and using the imaginary company [as a basis for changing] the real company.'*

Tsang continues:

□ *'Beta started with a small group of interested clients, and has mainly worked within the existing customer base, growing from to 60 clients in the first year. At this moment we are scaling up with 20 customers per month.'*

*'The story we used to sell our product is to say, your company is never finished. So, you need software that is also never finished. And you need an accountant who understands that your business is never going to stop changing.'*

Clients have been more enthusiastic than predicted and growth has to be managed as the size of the customer base and the ERP-like functionality that Beta offers mean that there is some implementation work.

□ *'We make it very clear cut what Beta does and what Alfa does. The traditional services are still provided by Alfa, like the annual report or the tax advice.'*

*'But the entire accounting part and the software part is done by Beta and you have to commit [yourself] to the Beta [way] of working, otherwise we can't service you because we are highly automated.'*



## Case study: Fou-khan Tsang, Alfa Accountants



Beta is rapidly moving customers towards what Tsang believes is the next stage: online ERP (using Microsoft Dynamics 365).

‘We were a little bit surprised that a lot of customers wanted that. We did market research and what we found [was] that one-third of our customers really want it today, a third of the customers don’t want it because they have their own systems and one-third of our customers didn’t know [what] we were talking about. It’s a little scary because a lot of customers are going faster than we are’.

Advisory work is a growing part of the proposition, offering SMEs who may have lacked the resources quarterly reporting

‘We now go to the customer at least four times a year with the figures of the last quarter and discuss them. And when we make those figures we do a bit of the work that we would normally do at the end of the year, so at the end of the year, we are doing not very much anymore. So, the total proposition for the customer will be more or less the same amount of money he was paying us before’.

This feeds naturally into better tax advice and planning and the firm is also doing follow-on IT consulting:

‘We come in, we do the business processes, but we also look at bring[ing] them also to Office 365 so their mail and everything is in the cloud’.

Within Beta, accountants are working very differently. When traditional accountants are working overtime to meet VAT filing deadlines, Beta accountants are on holiday, or at a client site.

This smoothing out of peak workloads means that the firms can service many more clients with the same number of staff and work far more flexibly.

‘This year we were not only the youngest group of the practice, but we also had the most babies. Very productive company, I said, but we could manage it, whether [staff are] working different hours or they’re working part time that’s no problem’.

Recruitment has also changed.

‘In [the] past we just wanted the good accountant but now I want IT [skills], so we test them on IT. There are two things I want: if you’re not a nerd and you can talk to people, that’s one group or you are a nerd and you go into the back office – but and you have to be a good nerd!’

This may make things difficult for accountancy firms in the future.


‘We will have to compete with other companies for employees where we in the past we didn’t. Skilled people can choose, they can work for banks now or a start-up. You have to adjust your company to get those people and hold those people because when [they] come into a very traditional environment they will not stay very long, I can tell you’.

So, while Beta will gradually take over more of Alfa’s client base, it will always be an ‘unfinished’ business because of constant change.

‘Accountants are afraid of making mistakes: a big problem in the accounting industry. I have a story I tell a lot of accountants: if you crawl through the desert and you’re dry and you come to a bar and there’s a half glass of water, would you drink it?’

‘They say ‘yes’ and I say ‘no’ – you’re an accountant and the half-full glass is not fully functional: you would step away and you die because what you’re waiting for a full glass of water!’





## 7. Conclusion: The accountant of the future

**The accountant of the future is a diverse individual. It would be no exaggeration to describe them as a cyborg: when a business communicates with its accountant, the latter is also in touch with all the business's financial data, and the accountant's human brain is augmented by apps, tools and artificial intelligence.**

Communication begins to be experienced more as a constant presence and mutual awareness than as intermittent dialogue, as the boundaries between client business and the accountant blur and disappear. Processes that were previously broken across accounting and finance and banking silos become seamless wholes. Analysis, advice and implementation become iterative cycles rather than discrete activities. Increasingly, accountants are in the business rather than suppliers to it. Is the business talking to an accountant or an outsourced 'financial director'?

The move to digital is the ideal catalyst for accountants to begin that transition from trusted adviser to trusted guide: the change from an expert who provides

answers, to a companion on a journey into the (relatively) unknown. It is a move from an obsession with accuracy to engaging with a world characterised by 'VUCA' – volatility, uncertainty, complexity and ambiguity.

Accountants are a varied group of people with a range of working patterns, clients and business models. Digital technology will allow accountants to transcend not just time and space but other limitations (disability, family, caring responsibilities) that may have kept them out of the traditional office or even the workforce altogether.

Client expectations will continue to grow. They will look for accountants who have

something specific to offer their business, who will be proactive and involved.

Accountants will also become their clients' digital eyes and ears. This will help accountants extend their digital footprint out from finance into other areas of the business, both front and back office. Accounts will first develop into management accounts and then form the basis of a holistic view of the whole business.

And just as financial data becomes a core management tool, so the accountant becomes the key business adviser.

Never has there been a better time to be passionate about your clients.



## Case study: Christian Terry, PI Accountancy



**Christian Terry, founder and CEO of PI Accountancy (easyaspi.co.uk) had an unusual route into running an accountancy firm. Initially he worked for a succession of Big Four firms helping multinational companies improve cash flow, liquidity and working capital, before starting his own management consultancy (which he still runs) in this specialist area.**

His own experiences with accountants as entrepreneurs, combined with conversations with relatives and friends working in or running local firms, set him thinking.

*'I started thinking there's an opportunity here for forward-thinking people who are willing to embrace technology and automate whatever can be automated. I could see we were working towards a model where bookkeeping and VAT and year-end accounts can be largely automated and therefore firms need to offer more and be a bit smarter about analytics and also advisory [services], which is, after all, my skill set. I also kept getting requests from my network to do bits and pieces – it made sense to set up a firm'.*

PI Accountancy has grown rapidly and now serves a broad range of clients from sole traders to companies turning over £10m–20m. Christian quickly decided that this would be a Xero-only firm and says roughly 50% of his clients are migrating from other software packages, the rest being start-ups or first-time adopters.

For Christian, the key to digitalisation is the paperless world enabled by cloud technology, combined with increasing automation.

*'A lot of accountancy firms are not really up on it yet, there's a lot that people can be using now that they just don't know about, in terms of practice management and end-use with clients'.*

Christian points out that even technology such as Apple's Siri, which people have had on their phones for years, remains underused.

*'For me a digital practice is about understanding these wonderful tools and apps that are available and using them to make everyone's lives easier. "Paperless" doesn't just mean we are trying to save the environment, it means we save what was traditionally a third of an accountant's time, chasing documents. We have the right apps in place that mean we're pulling all of your bank statements and your utilities and you are adding your receipts on your phone'.*

While those cost savings and efficiencies can be passed on to clients, it also means that the firm can create more of a personal relationship: 'We make sure that we're spending more time talking to them compared with the traditional model, having face-to-face meetings and resolving their issues'.

As well as the core Xero offering, PI integrates several other offerings. Using Hubdoc for purchase and receipt capturing enables them to offer bookkeeping ('because we want to make sure your books are right'). But they can also raise finance 'at the press of a button' by integrating revolving credit from iwoca, and help clients with foreign exchange using SatFX.

*'By combining the elements of reporting within Xero, with this app they can very, very easily press a couple of buttons and hedge their foreign exchange, which is really cool'.*

This constant flow of new apps is one of the attractions of the Xero universe – PI selected Hubdoc, not because it was necessarily 'best of breed', but because Xero had purchased it and would be investing in it. Another recent purchase is Instafyle, which promises to increase automation for end-of-year accounts production and submission.

*'We're getting pretty close to not needing accountants for a lot of traditional accounting stuff. But you still need to have people understanding what is going on and being able to feed that back and support the business in an advisory capacity'.*





## Case study: Christian Terry, PI Accountancy



Being in the cloud has enabled PI to employ a far more flexible workforce, even 'dabbling' with outsourcing some work to India or the Philippines.

□ *'You can be working anywhere, and we can recruit people from anywhere. It's key for me to have people nearby so that when we have client meetings, we can pull in a couple of senior people to come in and pitch, but otherwise I don't care if you're in Cornwall or Edinburgh or whatever – if you're good let's work together. And I really want to help people, such as mums and dads, who have trouble in the market finding the kind of work they need because firms still want them to go into an office most of the time.'*

Christian does not believe that he is targeting a special subset of switched-on clients – more that some more traditional firms may be deluding themselves by thinking that their clients are different and would not accept digitalisation.

□ *'I think it's all such a no brainer – once you are able to demonstrate it in person, you can sit down and show them the apps and everything else and it's just mind blowing for clients.'*

But for Christian it is the services that can be offered on top of the accountancy tech that are the key.

□ *'I want to have more face-to-face time and add more value. I've lost count of the number of times I've spoken to people and they say I'm paying £150 or £250 a month for an accountant, and they do nothing. That's the experience a lot of people have and it's a shame.'*

PI Accountancy offers several packages at standard price points, but Christian is eager to talk to clients face to face, explain all the things the firm will do for them and then tailor a package for a fixed monthly fee.

□ *'A lot of prospects tell us that they thought they were paying for one thing and then they would get extra bills they weren't expecting—you don't get that with us.'*

Having worked with big firms, Christian says he is 'not a fan' of timesheets.

□ *'We never do time-based work, our pricing is value driven. One thing I hate is when you are dealing with solicitors, or whoever, and you don't know what you are going to be paying. We understand what the output needs*

*to look like and there's a price: whether it takes us five minutes, or a couple of hours or a couple of days, you know what the price is'.*

Work then goes to a pool of staff who work under a variety of arrangements, but are generally paid a percentage of the fee for specific tasks, not chargeable time.

PI can provide a basic service and for smaller clients the initial conversation may involve simply illustrating how much of their time is taken up servicing their cheaper existing accounting package. But for larger businesses, the approach is based far more on positioning the firm as a resource that can help them in a variety of ways.

□ *'I really, really want to get involved with your business. We are not going for every client, we are going for clients we can really help. What we are trying to do is move more towards a virtual CFO role.'*

This can be as simple as helping clients [to avoid making] bad decisions because they simply have not sat down and spoken with someone about, say, the impact of opening a new shop on rates relief.

□ *'I never want to be in the position where we are your accountants and you make bad decisions just because you only used us to do the accounts.'*

Christian says he is not trying to automate people's jobs, but his higher rates for more sophisticated packages begin to look very cheap when compared with hiring a full-time or even part-time qualified resource.

□ *'Look at the thousand-pound-a-month package and ask yourself, could one person be doing all that for £12k a year?'*

Christian says the 'sweet spot' is larger companies with more complex issues, which still do not necessarily need an in-house finance team. He says he is already 'tied into' clients turning over £1m as a virtual CFO and getting close to that situation with clients in the £10m+ range. This, for Christian is the key benefit that digitalisation has unlocked.

□ *'I want to get to a place where our clients are inviting us to their Christmas parties: I think that's how it was done a long time ago and we've gone through a period where it had become more distant – [but] relationships are becoming more important again.'*



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