



Seven Habits of Highly Successful Firms

By Mark Albrecht, CPA, MST

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It's clear to even passive observers that the profession has undergone a tremendous technological evolution over the past 10-20 years, moving from a service bureau and 13-column worksheets to tax software and general ledger applications. Even the IRS is encouraging this trend – pushing the profession towards e-file adoption.

In more recent years, a push towards digital processes and paperless file storage, the anytime/anywhere access of cloud computing, and constant flow of information and always-on communication through mobile devices, seems to have accelerated the pace of change.

But, what's the net impact of all that technology adoption? What significance does it hold for the profession? More importantly, what does it mean for you and your firm?

Some might argue that it's made their jobs easier and more fulfilling; opened new opportunities and provided greater flexibility. Conversely, others may long for simpler times when a practitioner knew his/her clients on a personal level and could work uninterrupted; before phrases like "identity theft" and "disaster recovery" became commonplace among even non-technologists.

Should you run out and wait in line for the next big thing just to say you were there first? Maybe not. But, you may also not want to be the last hold-out, resisting the change because "that's the way we've always done things."

Bay Street Group LLC recently conducted an online survey, "Top Tech Strategies for 2011," in which about 300 randomly chosen practitioners participated, to compare distinguishing attitudes and behaviors of high performing firms with lower performers. The research also identifies practices that appear consistent with achieving superior business results at multiple owner accounting firms.

The study produced evidence supporting a clear correlation between high performance and a firm's attitude towards technology as a strategic asset, which also reflects an influence on how and how frequently they educate themselves about new technologies. For example, high performing firms are twice as likely to proactively seek out opportunities to engage peers and/or consultants in discussions about technology at networks, associations and conferences.

Still, you may wonder, what's the sense of urgency? Isn't it better to wait until the business case is proven before leaping with both feet? While that's true, the findings suggest there's an opportunity cost associated with waiting too long. The leaders are widening their gap (see Table 1).

High performers already reported outpacing low performers by a ratio of 3:1, responding excellent or very good when asked how well the firm achieved its goals in the past year. The same firms are expecting to do even better in the year ahead, with an increase of about 9 percent in the number of practitioners responding that their firms are in excellent position to achieve their goals.

Goal Setting

This research project was designed to uncover attitudes and behaviors among high performing firms, as characterized by their own measure of success as opposed to a predetermined measurement such as size or revenue. The understanding is that not all high performers are Top 100 firms, nor do all low performers have negative balance sheets.

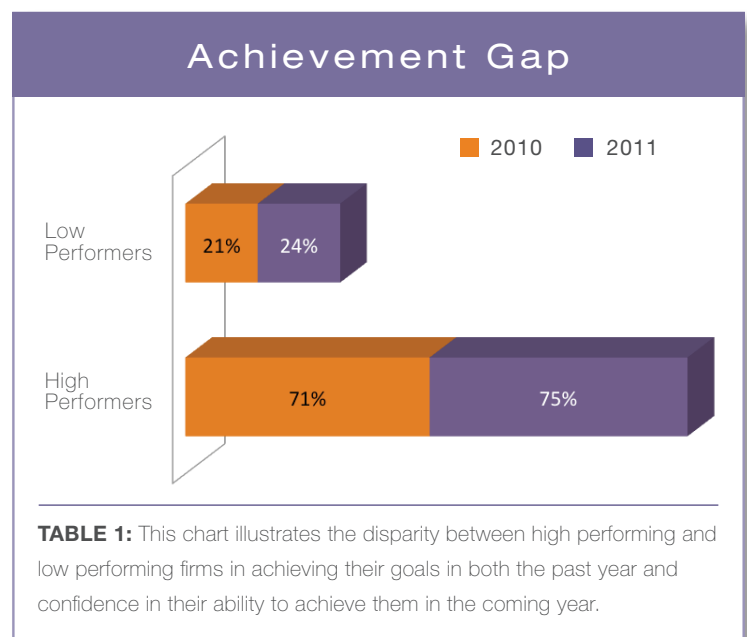


TABLE 1: This chart illustrates the disparity between high performing and low performing firms in achieving their goals in both the past year and confidence in their ability to achieve them in the coming year.



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The survey asked practitioners to first identify their primary goals, then asked them to evaluate how well they achieved their objectives. Though the method may not be as scientific as looking at balance sheets, the results are supported by more quantifiable metrics. For example, high performing firms are 17 percent more likely to have revenue growth superior to their peers, even though revenue growth may not be their stated primary objective.

So, if success is defined by how well an organization achieves its goals, what are those goals? Goals primarily fall into a handful of categories for most public accounting firms (see Table 2). Though the disparity in goal selection between high performers and low performers is not great, it is worth noting some key distinctions, nonetheless.

For example, low performers are much more likely to be focused on financial results, by a ratio of about 2-to-1, which are of a lesser concern for high performers. Going forward, the high performers are more likely than low to be looking at enhancing productivity, by a ratio of 2-to-1, and market share. They see opportunities to dominate.

Primary Goals for High Performers vs. Low Performers		
	2010	2011
High Performers	13%	13%
Low Performers	25%	25%
Financial Results (revenue, profits, shareholder earnings, etc.)	27%	29%
	42%	39%
Reputation (to become more widely recognized as an authoritative, prestigious expert thought leader in our markets)	2%	7%
	3%	4%
Client Relations (improve client satisfaction and retention, develop new niches, offer new services, etc.)	10%	15%
	20%	11%
Staffing and Management (add new talent, improve staff satisfaction and morale, enhance training and education, etc.)	17%	5%
	5%	10%
Market Share (add new clients, win more business from existing clients)	12%	20%
	16%	15%
Enhance Productivity (improve efficiencies, reduce write-downs, enhance workflows and internal operations)	24%	20%
	13%	19%
Other	7%	5%
	1%	1%

TABLE 2: GOAL GAP

This table illustrates the disparity between high performing and low performing firms in stated primary goals for last year and the year ahead. The figures at the top represent the percentage of respondents identified as high performers and low performers; all other respondents were average.

A firm's goals may vary from year to year, as a situation or successfully achieving the previous years' goals may alter priorities. For instance, perhaps client satisfaction had been the most important goal during the recent downturn, but now that the market is picking up again the firm's primary goal is to trade on that success by attracting new clients with the success it has built with current clients. A firm may have more than one goal, but one is typically the most important goal, and is therefore the one that leadership will consider when asked if the organization had a good year.



Similarly, when asked what will be the essential ingredient to successfully achieving the firm's goals, answers varied widely but most fit neatly into key attributes: focus/commitment, people development (i.e. training), client service, marketing/business development, and efficiency and productivity improvements. Here are some of their responses:

“Commitment by the entire team to fulfill goals and work towards them.”

– managing partner, firm with 51-100 employees

“Execution of the plan throughout the organization at all levels.”

– senior staff, firm with 26-50 employees

“High level of effort and commitment from all staff members.”

– partner, firm with 101-500 employees

“Buy in from everyone, top to bottom, while communicating the benefits so that everyone feels a part of it.”

– partner, firm with 11-25 employees

“Improve staff satisfaction and morale; enhance training and education.”

– senior staff, firm with more than 500 employees

Another fact also becomes clear in this self-actualization exercise: top performers are confident in their ability to successfully achieve their goals in the coming year. They are well positioned to dominate in their respective areas of expertise, and can clearly articulate the reasons why. Similarly, some practitioners who rated their firm lower can also clearly articulate the reasons why, but there's a sense of powerlessness in their responses.

High Performers: Well-positioned to achieve their goals in the coming year.

“Our firm is well run, morale is great and we are on the leading edge. We have even won several awards for being at the top of our class.”

– partner, firm with 51-100 employees

“We make continuous investments in our firm's future and the results show again and again, these are good decisions.”

– partner, firm with 101-500 employees

“We have extremely high employee and client satisfaction. Our employees have a strong broad technical base. We constantly plan and strive to improve. We have a strong and consistent growth curve.”

– senior staff, firm with 26-50 employees

“We have implemented technologies to give our firm a competitive edge. In addition, the technologies that we deploy allow our staff to accomplish the work assigned ‘on their time.’ At [our firm], we believe each staff person needs and deserves a good quality of life. We encourage balance between work and pleasure and we believe that putting the right technologies in the hands of our staff helps them to accomplish this balance.”

– partner, firm with 101-500 employees

“We had significant growth when other firms were declining. We are definitely a leader with our business processes which is directly related to our firm’s culture and vision...but there is always room for improvement.”

– senior staff, firm with 101-500 employees

“We have a great team and a commitment to strategic planning, accountability and technology. There is always room for improvement though!”

– partner, firm with 11-25 employees

Low Performers: An uncertain future.

“We do not have a formal plan or vision for our company and therefore take few forward steps.”

– managing partner, firm with 26-50 employees

“Our firm is too demanding in many areas. We burn people out and as a result have huge turn over...Our management gives goals and objectives with no authority to complete them.”

– senior staff, firm with 26-50 employees

“We are technology laggards led by a lagging IT department.”

– partner, firm with 101-500 employees

“We have a lot to learn! We work too hard to produce what we have accomplished in our 3.5 years in business. We need to learn to work smarter and more efficiently.”

– managing partner, firm with 2-10 employees

So, what’s our take-away from all of this? Practitioners are particularly candid about their outlook on the future? Perhaps. More importantly, their responses show that there are common themes to why firms have experienced success in achieving their goals, as well as for those who failed to do so. Though we can certainly learn from our mistakes and the missteps of others, let’s take a look at the common characteristics and habits of high performers as a benchmark for success.

Common Characteristics

Some of the characteristics high performers have in common may be attributable to their size and market position, and not represent a standard to which all firms could aspire. Other behaviors (or habits) offer us a much better understanding of the blue print for success. What can we learn by comparing high performers' attributes to those of low performers?

By looking at the disparity (or ratio) between high and low performing firms, we can learn that high performers are more likely than low performers to:

- always regard technology strategy as a **COMPETITIVE ADVANTAGE**, by a margin of 27-to-1
- always work with the **BEST** software application available for EACH particular task, function or process, by a margin of 27-to-1
- always allow **PLENTY OF TIME** for people to implement and learn new technologies, by a margin of 9-to-1
- always and usually follow a written, strategic technology **PLAN**, by a margin of 3-to-1
- always and usually continue, year after year, to experience measurable increases in **PRODUCTIVITY**, by a margin of 6-to-1
- use a full **WORKFLOW** solution, by a margin of 2-to-1
- **SCAN** on the front end, by a margin of 3-to-1
- receive thorough and continuous **TECHNOLOGY TRAINING**: 49% of high performers reported usually or always. 0% of low performers.
- always **ENCOURAGED TO EXPLORE** new technologies and better ways of doing things, by a margin of 11-to-1
- always and usually among the first to adopt **NEW TECHNOLOGY**, by a margin of 8-to-1

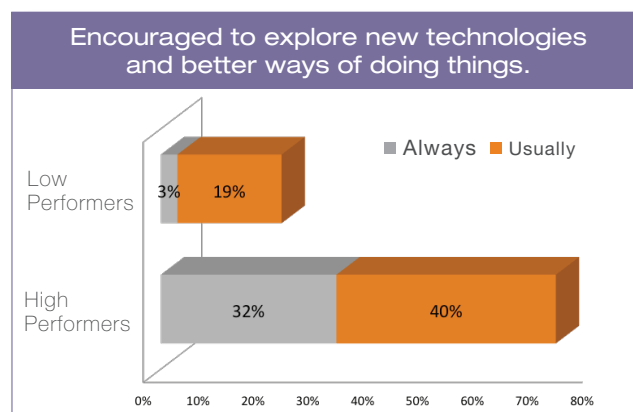
So, what are some of the larger trends we can extrapolate from the findings?

HABIT #1: High performers embrace change.

High performers not only tend to be early adopters who embrace positive change, but they take it a step further to create a culture of curiosity in which individuals are encouraged to innovate. This attribute, while it can be applicable to technology adoption, is certainly not restricted to it. In fact, it tends to be pervasive in a firm's culture – applying broadly to service offerings, management techniques, employee benefits, and so forth.

Compared to low performing firms, high performing firms encourage employees to explore new technologies and better ways of doing things by a margin of 11-to-1 (See Table 3).

TABLE 3: This chart illustrates the disparity between high performing and low performing firms in encouraging employees to explore new technologies.



This culture of curiosity naturally leads to a higher instance of early adopters of technology among high performing firms, which lead low performers in always or usually being among the first to adopt new technology by a margin of 8-to-1 (see Table 4).

Qualitatively, high performers express a strategic approach to technology adoption versus technology for technology's sake. They do due diligence to ensure that the new technologies they adopt are mature and have a clear business case, as these responses indicate:

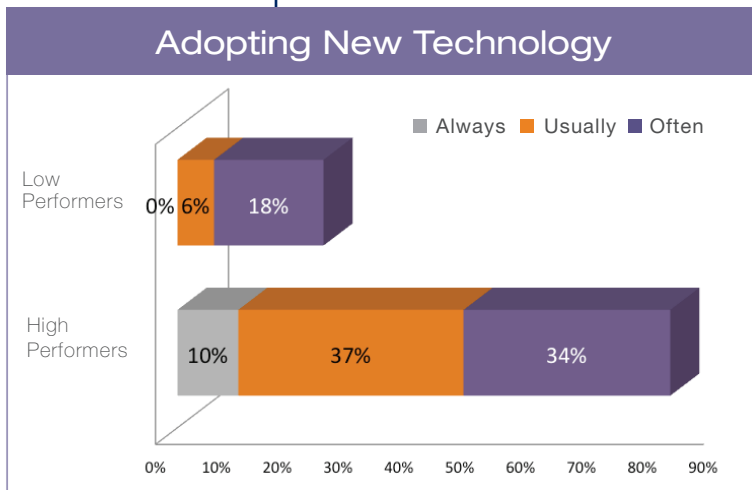


TABLE 4: This chart illustrates the disparity between high performing and low performing firms in being among the first to adopt new technology.

“Using best practices and constant training and communication with staff. Use everyone’s experiences to enhance implementation and software training and use.”

– managing partner, firm with 2-10 employees

“To understand that with new technology when deployed correctly, will bring enhanced efficiencies that in the end provide more time for chargeable productivity.”

– partner, firm with 51-100 employees

Habit #2: High performers view improvement as a continuous cycle.

In the open-ended questions, high performing firms expressed great confidence in their strategy and ability to achieve goals, while repeatedly noting that there’s always room for improvement. High performing firms continuously measure their results and modify their plans accordingly. They view improvement as a continuous cycle – always seeking “better practices” as opposed to best practices. Here are some of their responses:

“Instill a culture of continuous improvement: in the tools available, in the utilization of tools, and in the ‘ordinary’ course of what we do.”

– managing partner, firm with 11-25 employees

“Allocating the time to learn the new technology and ‘just do it,’ and don’t be afraid of making some mistakes.”

– solo practitioner

“A lot of what you do is already digital, find what works best for you and document it and always look to improve.”

– managing partner, firm with 51-100 employees



This attitude lends to a culture that embraces change, as set-backs are expected and overcome through consistent, continuous commitment to improve. High performing firms know their efforts will likely yield year-over-year, measurable incremental improvement (see Table 5).

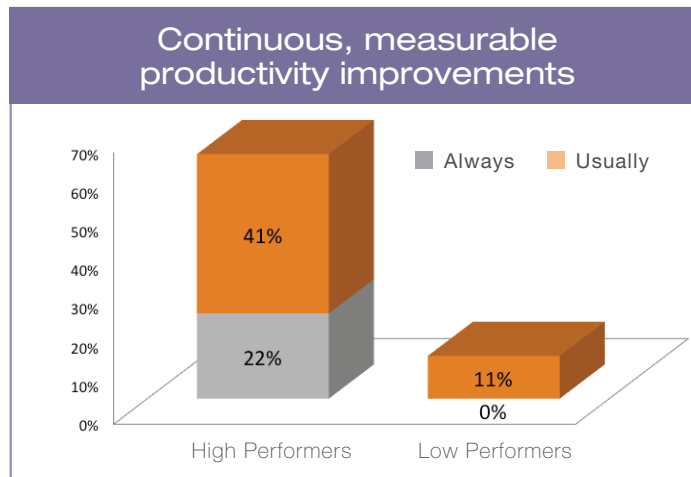


TABLE 5: This chart illustrates the disparity between high performing and low performing firms in realizing continuous, measurable productivity improvements.

Habit #3: High performers see technology as a strategic endeavor.

In high performing firms, leadership recognizes the significance of their technology investments to the overall business strategy of the firm, giving the CIO or partner in charge of IT the authority to help guide the firm’s direction. Those firms are three times as likely to follow a written, strategic technology plan and view technology as a competitive advantage, by an overwhelming margin (Table 6), that can help them achieve their goals – whether they be financial, client service, market share, new service offerings, and so on.

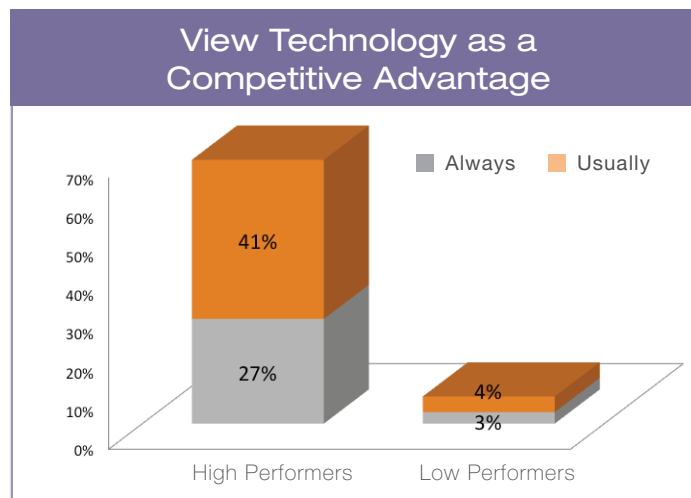


TABLE 6: This chart illustrates the disparity between high performing and low performing firms in viewing technology as a competitive advantage.



High performers know that if a new technology fits into their IT strategies and they commit to its adoption, the return on investment will naturally follow. The key ingredients to a successful IT strategy most often cited by high performers are leadership, planning, communication, education, and time – as evidenced by this response:

“Tone at the top needs to support technology spending as a strategic asset and the partner in charge of IT needs a seat at the table.”

– partner, firm with 101-500 employees

Because high performing firms are far more likely to view technology as a competitive advantage, they also understand that there’s an opportunity cost and a risk of losing that edge in delaying adoption of new technologies

(see Table 7). Understanding this reality in an era when the pace of change is staggering, and encouraging a culture that embraces that change, gives high performing firms an unmistakable lead in evaluating and acting on new opportunities presented.

So, what are those strategic technology initiatives that high performing firms consider a high priority in the long-term? Topping the list for high performing firms are workflow tools (70%), paperless technologies like scanning and storage solutions (68%), application integration (55%), security and authentication (50%), and client portals (38%).

Which technology initiatives do high performers see as delivering a competitive edge in the short term? Technology spending in the short-term includes more commodity items such as hardware and personal computing devices. Topping the shopping list in the next

12-18 months are laptops/notebooks/desktop PCs (60%), new/additional display monitors (40%), printer/scanner/copier/fax machines (40%), mobile computing equipment (40%), and workflow management automation (32%) also makes the short-term list.

In several areas, the gap in priorities between high and low performing firms is not wide. For instance, the need to improve workflow efficiency and productivity appears to be a universal concern. However, how firms approach any initiative may vary greatly from one firm to the next, as expressed in some of the practitioners responses:

“Ensuring that technology implementations are firm projects rather than IT projects. This involves business users from the beginning and increases buy-in. It also provides you with champions within the firm to drive the change management effort.”

– partner, firm with 11-25 employees

“Approach it as an opportunity and work as a team to achieve it.”

– managing partner, firm with 11-25 employees

Understanding the Opportunity Cost

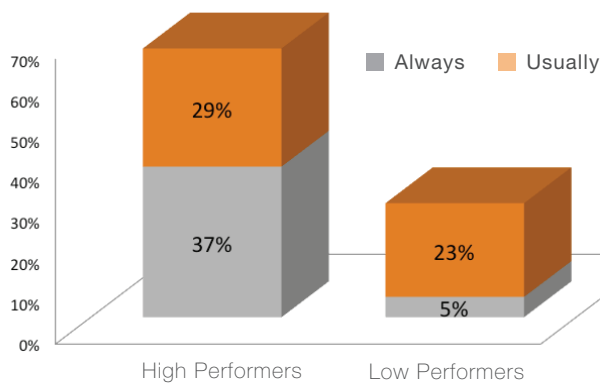


TABLE 7: This chart illustrates the disparity between high performing and low performing firms in understanding the opportunity cost in delaying technology adoption.

Habit #4: High performers understand increased productivity is a by-product of empowering people.

The profession has steadily been adopting paperless technologies in an effort to reduce reliance on paper, increase efficiency, and provide instant access to information outside the confines of the physical office. Not surprisingly, high performers have made a more concerted effort to do so.

Eighty percent of high performing firms report that more than half their practice is paperless, compared to 59% of low performing firms. The gap is most significant among firms reporting that they're 100% paperless, with high performers leading low performers by a margin of 5-to-1.

Paperless is a term that means different things to different people. To some, it's using document management software or some other electronic filing system, as 85% of high performing firms do. To others, it's scanning all paper documents as soon as they come into the office – a practice high performing firms are three times more likely to engage in than low performing firms.

Though both practices will reduce the amount of paper in the office, high performing firms understand that technologies that empower people to work more effectively and efficiently are the firm's real mission critical applications.

The ability to work digitally, not simply access information electronically, yields significant increases in productivity. High performing firms use a full workflow solution by a margin of 2-to-1 over low performing firms. Forty six percent of high performing firms currently use a workflow solution versus 21% of low performers. As previously noted, 70% of high performing firms plan to make additional investments in this area in the future.

When asked to give advice to firms that haven't yet gone paperless, many practitioners expressed a sense of urgency and urged their peers to "just do it." Leaders have been there for several years and understand that focusing on the firm's processes through workflow automation is the first step to a paperless practice. Here is a sampling of the practitioners' responses:

"Do it! Thank me later." – partner, firm with 51-100 employees

"It's the best money you will ever spend."

– senior staff, a firm with 2-10 employees

"Don't hesitate – just do it." – senior staff, a firm with 51-100 employees

"Take the plunge! The world is passing you by."

– senior staff, a firm with 101-500 employees

"Get a workflow management tool like XCM."

– managing partner, firm with 11-25 employees

"Use a workflow management system."

– partner, firm with 101-500 employees

"Look for firms who have successfully done so over the last three years and ask for advice."

– senior staff, firm with 26-50 employees



“Actually our best software addition has been XCM.”

– partner, firm with 11-25 employees

“Workflow needs improvement before you go paperless. Then plan on more workflow improvement, but go paperless.”

– senior staff, firm with 2-10 employees

“Buy and use workflow products and Internet software, instead of just storage software and server-based software.”

– partner, firm with 101-500 employees

KLR

KAHN, LITWIN, RENZA & CO., LTD.

Certified Public Accountants & Business Consultants

Spotlight on Kahn, Litwin, Renza, & Co. (KahnLitwin.com)

One high performer’s approach to software adoption.

KLR may be one of New England’s premier accounting firms

– with 160 team members and offices in Boston, Newport, Providence and Waltham. But, it’s not the firm’s growth or even its recent expansion that caught our attention. KLR’s attitudes toward technology adoption reflect all seven habits common to high performing firms. So, we wanted to know – how do those attitudes translate into successful behavior?

Though it earns high marks – either always or usually exhibiting habits of top firms, the one exception was that KLR is “often” among the first to adopt new technology. While it’s true that the firm may take a more measured approach to ensuring that a product is battle tested before adoption, once it has concluded that the technology fits well into its overall technology strategy its approach is full steam ahead.

Its adoption of the XCM workflow management software last year was one such case.

KLR had implemented a best-of-breed DMS, but was primarily using it for after-the-fact storage. Workflow was being managed with a hybrid approach of paper routing sheets and Excel spreadsheets. In particular, the tax department was looking for a solution to help them manage tax season more effectively, providing real-time access to status information, and improve efficiency.

Like other high performing firms, KLR keeps abreast of best practices and new technologies by talking to peers at conferences and professional events, as well as through its memberships in the Leading Edge Alliance and the Boomer Technology Circles. In fact, the firm began seriously evaluating workflow products at the Boomer All-Circle Conference in August 2010.

From there, KLR quickly assembled a multi-disciplinary committee with senior members of each department including IT, tax, A&A and firm management. The evaluation and selection process took just three weeks. And, the implementation began early in the fall to give them plenty of time to get it up and running well before busy season. The firm also arranged for on-site, firm-specific trainings in all offices and videotaped the sessions for future use.

According to Tax Principal Norman LeBlanc, the key to KLR’s success in overcoming people’s natural resistance to embracing new technology is “great planning with input from all levels of the firm.” And, his advice to others planning to go paperless is to

“do it in stages to reduce the stress and anxiety.” KLR focused primarily on tax for the 2011 season, significantly improving WIP management – while taking a more phased approach to rolling it out to A&A. Members of IT and the A&A team attended the XCM User Conference in the spring to learn best practices for Audit and other practice areas.

“We make continuous investments in our firm’s future and the results show again and again, these are good decisions,” said LeBlanc of KLR’s survey ranking as a world class firm.

Rankings – Just how do they stack up? KLR scored a 90 out of possible 100 (the average score was 65).

- Always encouraged to explore new technologies
- Always follow a written, strategic technology plan
- Always allow plenty of time for implementation and training
- Always work with the best equipment and software available



Seven Habits of Highly Successful Firms

Habit #5: High performers invest wisely in the best solutions for each function.

Not surprisingly, because they view technology as a competitive advantage, high performing firms are far more likely than low performing firms to always invest wisely in the best solution available for each particular task. What did cause some pause is that the margin for each was the same – 27-to-1 (see Table 8).

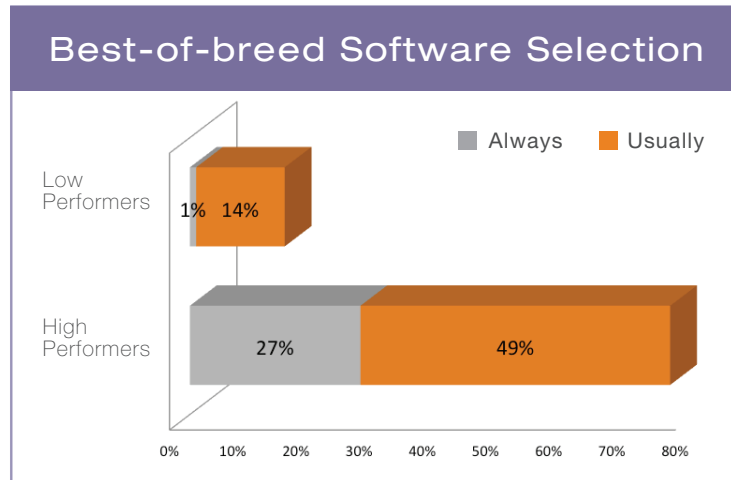


TABLE 8: This chart illustrates the disparity between high performing and low performing firms in choosing the best solution available for each particular function.

For the most part, high performing firms always or usually select the best software solution for each particular function, versus committing to a single vendor strategy. As their responses indicate, they tend to look for mature, feature-rich products and are judicious in fully vetting their technology options before making a decision, talking to vendors, peers, and IT professionals. Here are some of their responses:

“Reading – print and online – about what’s available and the successes of others with new technologies. Participating in ‘demos’ of new technologies. Keeping an open mind.”
 – solo practitioner

“Peer surveys through firm networking events, reading publications, asking other IT professionals outside our firm.”
 – partner, firm with 101-500 employees

“We don’t always go for the newest things right away. We are cautious so we don’t make a mistake and have to implement things twice. We don’t have to be leading edge, but will follow along after technology has a chance to work the bugs out. It’s like buying a new model of a car. You don’t buy the first year of a model, you buy in the third year when they have the bugs almost all worked out.”
 – managing partner, firm with 51-100 employees

Habit #6: High performers invest in their people through education and training.

High performing firms understand that testing and training is an important component of change management – whether it’s a new process or a new technology. Forty nine percent of employees from high performing firms reported that they get thorough and continuous technology training, while no low performers claimed that (see Table 9).

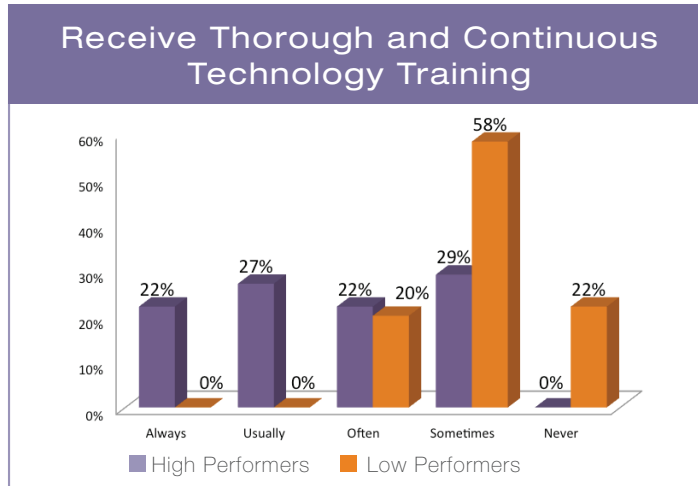


TABLE 9: This chart illustrates the disparity between high performing and low performing firms in providing thorough and continuous technology training.

Additionally, high performing firms know that adopting in time to train and test without pressure will greatly increase buy-in and user comfort-level to yield even greater results in year one. So, they always allow plenty of time for people to implement and learn new technologies – by a margin of 9-to-1 over low performers (see Table 10).

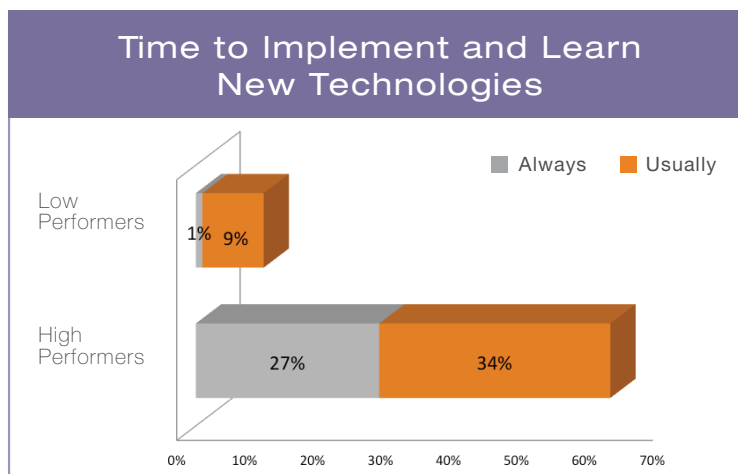


TABLE 10: This chart illustrates the disparity between high performing and low performing firms in providing plenty of time for people to implement and learn new technologies.

Practitioners offered this advice to peers adopting new technologies:

“Allowing more time to learn it.”

– senior staff, firm with 51-100 employees

“Implement software during a ‘low pressure’ time (i.e. not during or just before tax season).”

– managing partner, firm with 11-25 employees

Habit #7: High performing firms seek out opportunities to learn.

The final behavior that the survey found common among high performing firms is a proactive approach to learning about new technologies as opposed to the more passive approach favored by their lower performing counterparts.

So, how do practitioners learn about new technologies? Most professionals say that they read newsletters, professional publications, journals, blogs, etc. Top performers also get out there and talk to peers in their networks and associations; participate in technology events like tradeshow, Webinars, and user conferences; and keep an open mind.

Here are some of the ways practitioners from high performing firms say they learn about new technologies:

“We are constantly updating and changing. Our conference attendance and internal research keep us abreast of the latest and greatest.”

– managing partner, firm with 26-50 employees

“I am a CITP, so I receive a lot of magazines and emails that describe new technologies. I also talk to other CPAs about what their firm is doing whenever I get the opportunity.”

– managing partner, firm with 11-25 employees

“Reading, Boomer group, XCM group, CPA society, discussions with fellow CPAs.”

– partner, firm with 11-25 employees

“Through networking with other firms, attending software and user conferences, listening to the software reps we already know and trust on what’s out there, having our IT guys research new products for us.”

– senior staff, firm with 26-50 employees

“Read and network with peers at accounting technology related events, meetings and online forums.”

– senior staff, firm with 101-500 employees

“Membership in Leading Edge Alliance, Boomer Network, Reading IT publications. Working with outside IT consultants.”

– managing partner, firm with 51-100 employees



Conclusion – Era of Increased Competition

As stated at the outset, we have entered an era characterized by tremendous change in the way practitioners run their businesses thanks to the accelerated pace of technology adoption. This research suggests that firms that embrace that change are in a superior position to capture new opportunities and overcome competitive threats and other challenges presented by fee pressures, talent acquisition, service specialization, and increased M&A activity among firms. As such, high performing firms will continue to widen their lead in many areas over average and, particularly, lower performing firms.

Identifying and understanding some of the attitudes and behaviors most commonly shared by high performing firms, particularly those that offer the widest disparity between high and low performers, can help us all evaluate and improve our own practices in meaningful ways to help us achieve our goals. Though change won't happen overnight, particularly to deep culturally-rooted habits, it's clear that small changes in a firm's posture toward technology adoption can have a measurable impact.

