

Using Operational Data & Analytics to Improve Firm Productivity & Profitability

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Introduction

How can your firm operate more smoothly and gain real-time insights to improve performance as it adapts to the new world of work? Traditionally, our answers have come from practice management and after-the-fact reporting, but that is no longer enough. Real-time reporting that enables fact-based decision-making, and retaining qualified staff, are becoming more essential as clients' requirements increase. As such, many leading firms implemented real-time workflow, including calendar and resource allocation scheduling software, over 10+ years ago to have access to operational data and analytics in real time.

While optimizing workflow remains an opportunity to improve firm efficiency and productivity, gaining visibility into your own operations and those of your clients is the future. This transparency enables management to make data-driven decisions based on changing business conditions. Historically, this type of information has not been available to most public practice firms, as only the most sophisticated and properly implemented ERP systems produced this type of management information. Even then, the KPI's (Key Performance Indicators) or metrics tracked by these systems were focused on primarily internal performance operational metrics. These metrics facilitated identification and reaction to performance issues, which kept staff and management focused on operational excellence. However, these systems lack proactive insights to increase firm productivity and also lack any external comparisons to peer groups and industry best practices.



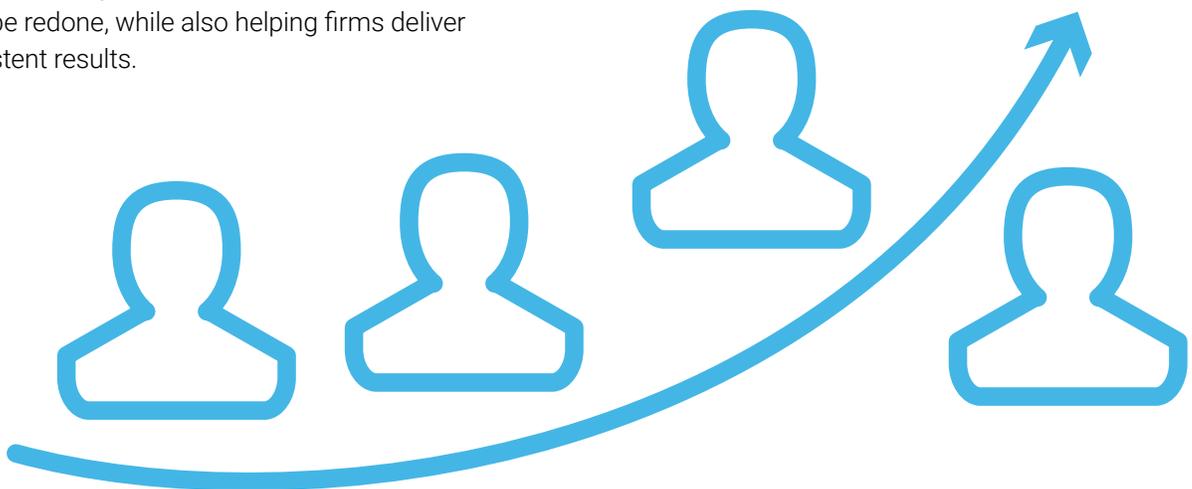
Process Drives Profitability

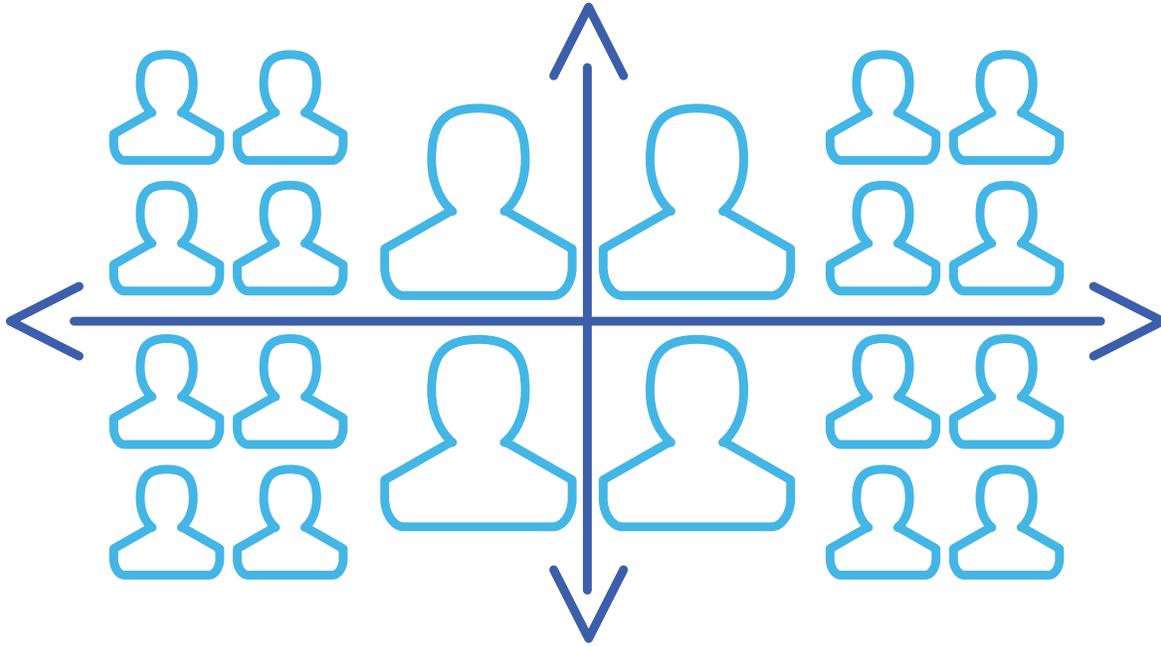
If you have not taken advantage of workflow management platforms as one of the drivers of profitability, you may be falling behind and missing out on a real-time view into work-in-process and a more efficient way to track engagement tasks for every client and staff member. These benefits are difficult, if not impossible, to accomplish using only project management, scheduling, or checklists, as these tools typically do not integrate with client-facing portals or staff tools. By using proven, integrated workflow platforms such as XCM, firms can generate real-time benchmarking data, providing transparency into current and previous year engagement performance and highlighting areas to increase profitability.

While it is important to see all projects assigned to individuals, teams, or offices, it is critical to have visibility to accurate information to answer client questions about project status in real-time. Properly implemented workflow management systems eliminate the use of paper routing control sheets and spreadsheets, which don't contain structured data in a way that can be summarized in real time. When properly implemented, workflow systems expose process inconsistencies and undocumented "personal preferences" that may have resulted in a need for projects to be redone, while also helping firms deliver more consistent results.

Workflow can improve profitability in the firm in other areas, too. For example, business development is often a process that is executed by partners, directors, managers, and marketers. A structured, well-designed process allows all qualification steps to be completed easily and in the correct order, which helps your team select the right clients and the right opportunities while giving everyone space to share their input. If your firm is providing innovative service offerings, you'll need to work through the steps to be effective with the deliverables, and there is no better place to track this than in a workflow system.

Using a workflow solution provides consistency across the firm and makes it easier to handle expectations. While we recommend consistency amongst partners in process and deliverables, these solutions can guide managers and staff through the discovery process to identify additional engagement opportunities for the firm. The seamless and convenient interactions available in many systems surprise some firms with unexpected benefits like increased service delivery capacity (e.g. more efficient operations) because of the increased focus on the tasks at hand.





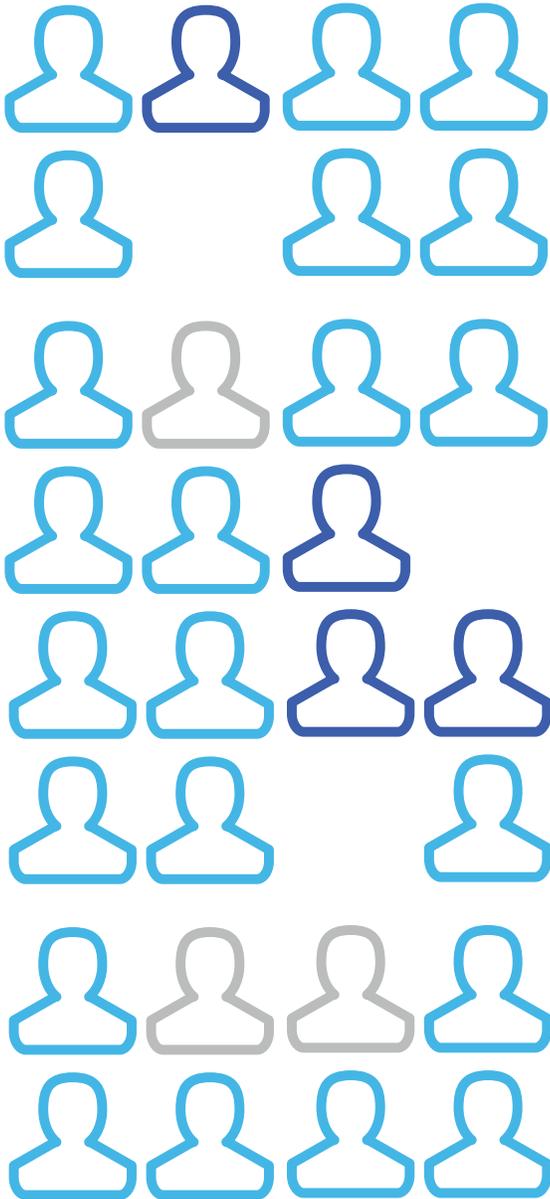
Workflow Platforms Drive Standardization & Scalability

Workflow systems facilitate quick, structured communications for routine items, reducing the number of e-mail messages and making work more collaborative, transparent, and organized. Standardization helps managers and staff focus on providing higher-value services and encourages habits that will help staff be more efficient. While many firms think of workflow systems as primarily being used by the tax department, there are opportunities to improve audit visibility, evolve your Client Accounting Service (CAS) business, manage recurring tasks and due dates, and simplify administrative team functions.

As an example, for audit, a robust workflow system brings all the key components required to perform many engagement types into a single productivity platform. Additionally, your team can optimize its business processes from a Lean Six Sigma perspective to simplify or eliminate steps on a periodic basis when work processes evolve.

As business needs change, new techniques are adopted, and regulations are issued, workflow solutions offer users a single “source of truth” where every team member’s tasks, priorities, notes, deadlines, and points live within the one system. The best workflow systems are configured to work the way the firm works. The information and insights that reside within the workflow platform provide the business intelligence and reporting tools to help firm leaders and enable staff to control every aspect of the firm – CAS, Tax, Audit, Admin, and niche practices. All departments and positions in a firm benefit from having access to a workflow system that saves time and results in more efficient internal and external communications.

Impact of Various Software Products on the Practice



While workflow provides operational and profitability benefits to your firm, without experiencing the advantages for yourself it can be hard to understand how these solutions will impact your firm's productivity. Vendors who only have practice management products with modules or checklists may try to convince you their point solution is effective when compared to a workflow management solution. Be wary, as your team will not realize the full productivity efficiencies.

One of the first considerations is to review the options inside each product. Directly evaluating features and benefits may be time-consuming, but there are key firm and client needs to consider when pursuing any new workflow system. These needs include:

- Flexibility of configuring workflows based on changing business needs
- 360° visibility into the Who, What, Where, When & Why of engagements
- Resource allocation (especially useful in tax and client accounting work)
- Scheduling (useful in a calendar-based, multi-resource engagements such as audit and/or corporate tax)
- Availability of best practice workflows as a starting point for your practice
- Analytics (helpful to establish a data-driven approach to productivity optimization)
- Implementation
- Mobile approvals

Value of Using Workflow Automation Platform To Support Workflow Processes

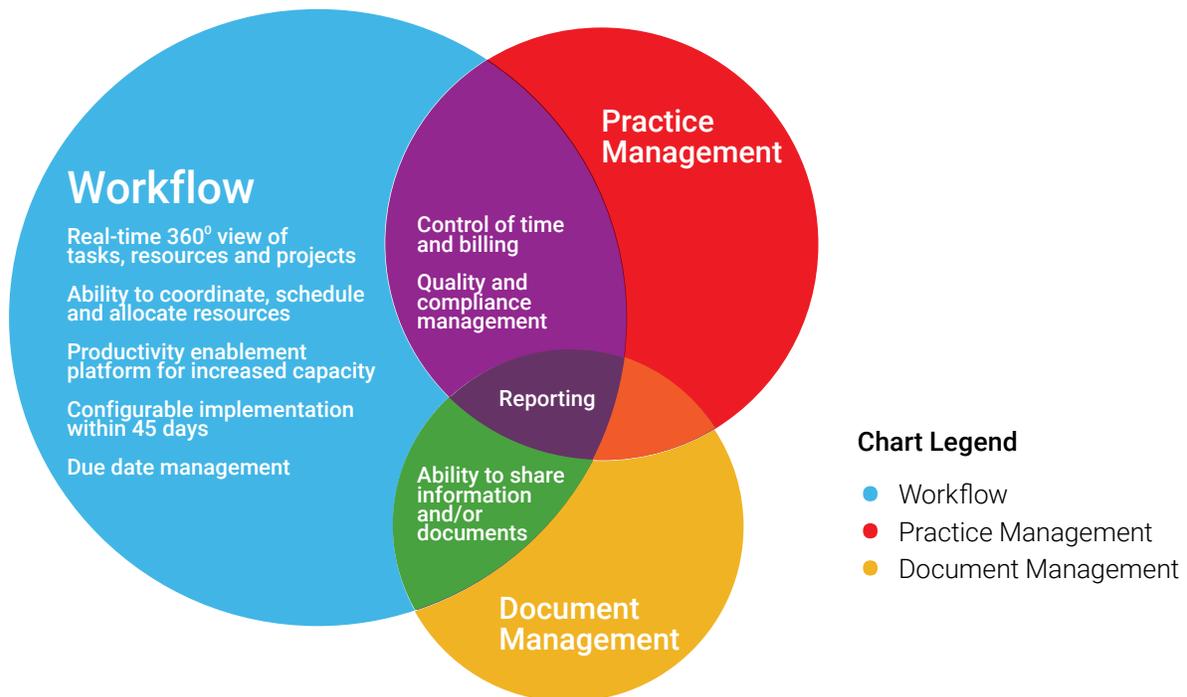


According to the **2018 Accounting Firm Operations and Technology Survey** results, firms continue to struggle with the adoption of an all-in-one software suite, as compared to using “best of breed” solutions from different vendors. As adoption of new generation technology progresses, choosing the “one-size fits all” single suite approach seems to break down even more.

We have considered the impact of integrated workflow products vs. standalone products, as well as different approaches such as DMS-centric or Practice Management centric approaches, and while you may be satisfied with a checklist approach because of simplicity, it is nearly impossible to garner useful management information from the tools used to aggregate data from a checklist.

Consider the following illustration which shows the impact of workflow across various systems and firm functions:

XCM is a cloud-based workflow solution that helps address these challenges, and more:



A well-designed, properly implemented workflow management system can have a positive impact on virtually every department and critical function in your organization. If you attempted to map a detailed analysis of your processes using paper control sheets, Excel spreadsheets, standalone checklists or buggy

custom databases, you would find that your team can't use these improvised tools to optimize your processes efficiently and effectively. If you aren't using a structured, real-time workflow solution today, you probably have less effective management information and inconsistent operations than your competitors.

Use of Metrics and Financial Measures for Optimization

Beyond the process improvement benefits of a workflow system, there are additional advantages firms can glean from the performance metrics it produces. The systems produce a "digital exhaust" of real-time structured data that can help identify short-term and long-term issues with your team, your processes, and your clients. The workflow system data can be combined with other performance measures and financial results to help increase overall productivity, optimize efficiencies, and elevate overall employee effectiveness. The data can also be mined to identify gaps in performance, process improvements, and opportunities to scale and grow your business.

Real-time reporting is essential for managing your firm to its highest potential. Firms that manage their business solely on practice management reports and historical financial measures cannot proactively take corrective actions until days, weeks, or even months after the problem occurs. Using a real-time workflow management system provides you 360° real-time visibility into today's problems with immediacy and helps you focus your team resources on generating results for your client and the firm.

Managing for Results with Data Analytics

If a workflow management system is used to measure business development processes, you can easily see if you are targeting the right clients, offering the services those clients want to buy, and rewarding the right staff for their productivity. You can also proactively identify potential obstacles as they evolve in both the business development/sales cycle and in the delivery of the actual service.

Workflow with metrics and analytics provides visibility into what needs to be done, what has been done, who is doing what, and what needs to be reallocated. It helps leaders proactively eliminate bottlenecks to complete work that drives revenue and prevents any delays that impact cash flow and/or client relationships. Predictive data analytics help track the key performance indicators (KPIs) for optimally managing a firm in the modern environment.

Real-time measurements from workflow and process tracking systems help you manage the practice and provide greater insight into decision-making. Consider the following examples from XCManalytics as a Service®:

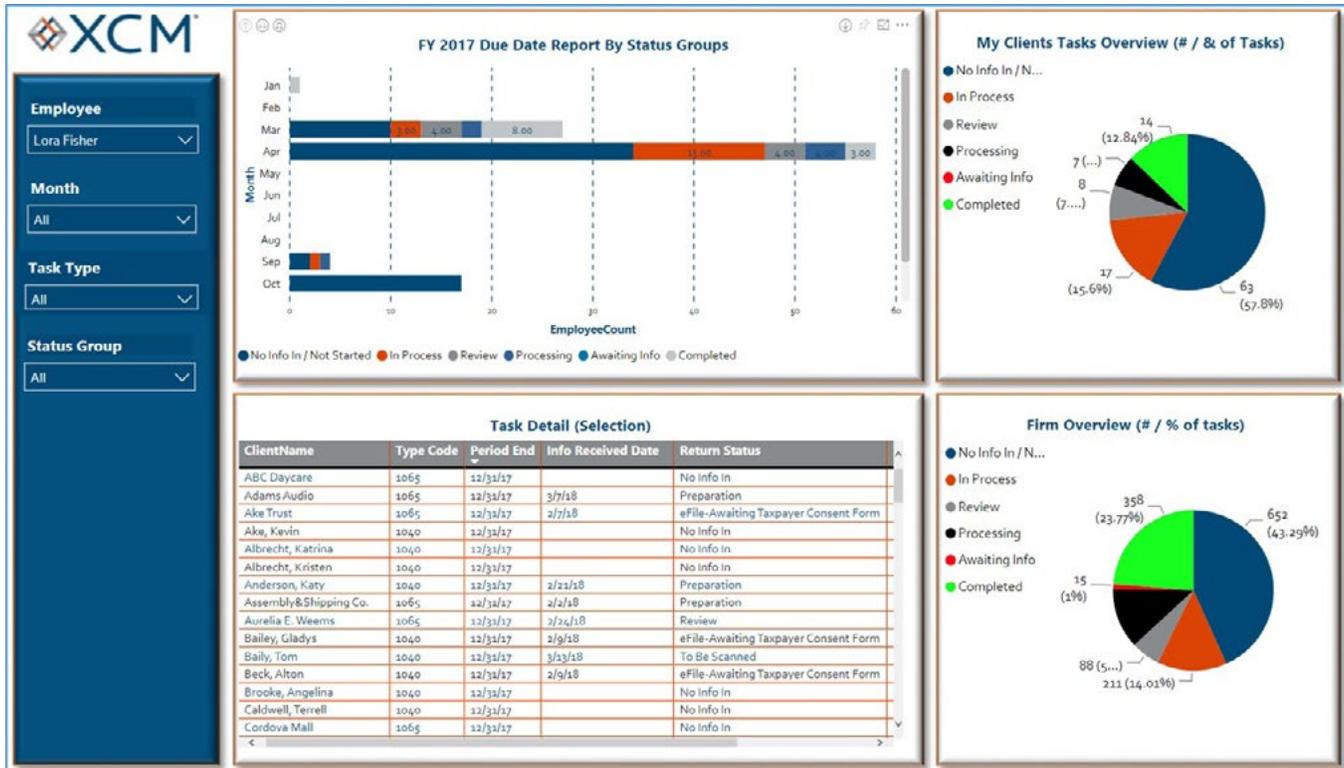


Figure 1: Filtered pie chart analysis of work-in-process (WIP), and task, client, and firm metrics

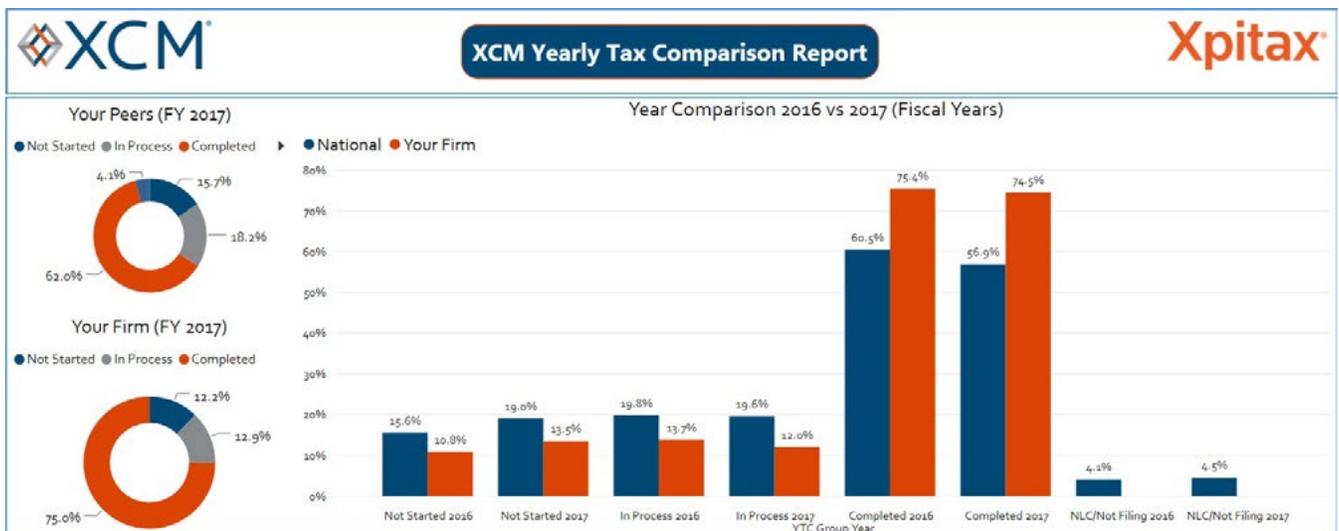


Figure 2: Tax production and output vs. prior year, with benchmarking against larger data set of peer group firms (Top 100), as of March 1, April 1, and May 1 for both years (note the interactive filters and controls at the top of the screen)

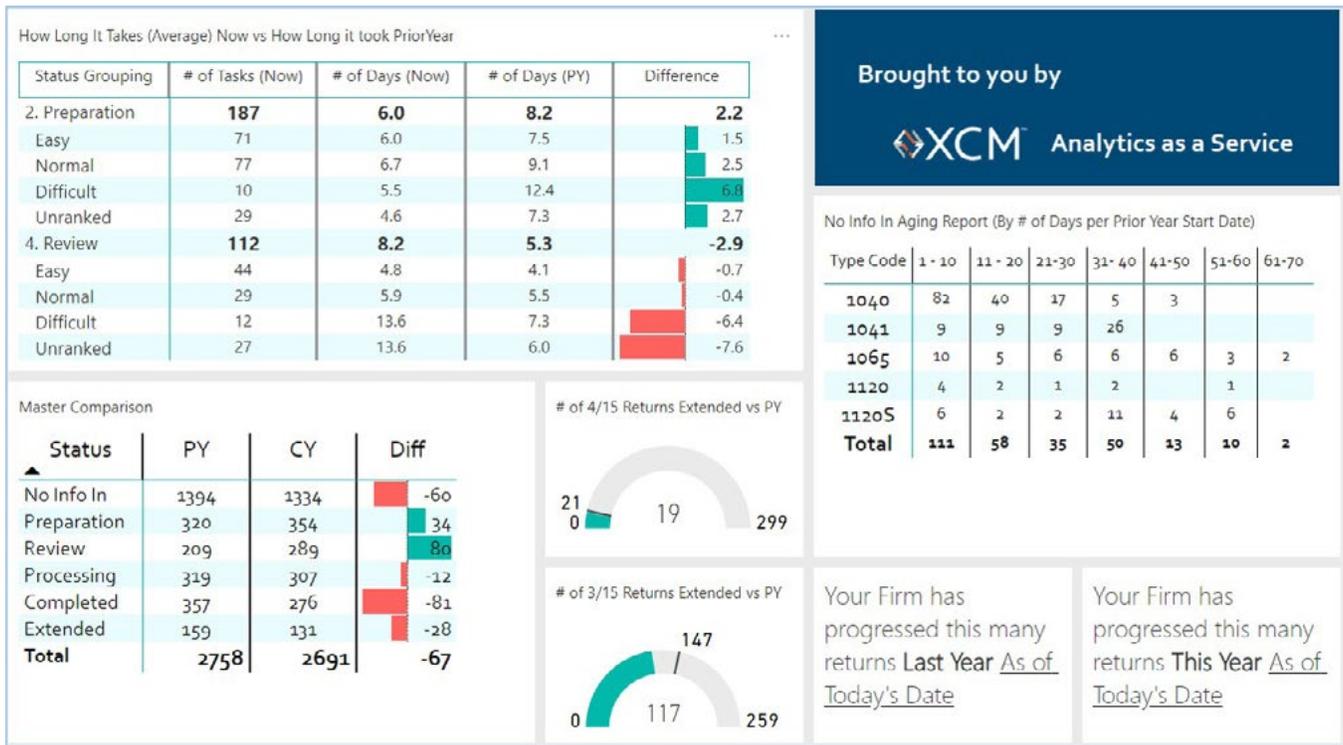


Figure 3: Daily progress charting of task movement that provides firm leaders with a holistic view of day-to-day activity in the firm. When clicked, each chart directs to another dashboard drilling down into the details related to the summarized content in this view.

Continuing with this XCManalytics as a Service system as an example, there are many key performance metrics you can choose to use. While this is not intended to be a comprehensive list, consider the following sample of available reports:

1. My Client Tasks vs. Firm Task Progress
2. Year-Over-Year Preparation & Review Cycle Time Averages
3. Year-Over-Year Extension Comparisons
4. Daily Status Comparisons PY (Previous Year) vs. CY (Current Year)
5. Task Aging Based on Prior Year Start

First, the firm needs to identify the metrics that are most helpful to manage productivity and profitability. Next, you can create a report or dashboard with the information in XCManalytics as a Service to provide the insights to optimize your firm’s performance. If you need assistance in developing productivity metrics for your firm, XCM consultants are available to provide guidance to get you started—this is included with the XCManalytics as a Service product. Just like workflow, metric measures change over time as your business evolves. What is measured can be managed, and data analysis tools like this one provide you with metrics to effectively grow your firm.

Conclusion: Why You Should Use a Workflow Platform to Manage Your Firm

While we have tried to illustrate the business case to use a workflow platform, metrics, and data analytics to manage your firm operations, there are some final points we don't want you to miss. A robust workflow platform provides your firm with greater visibility to show a return on investment (ROI) and ability to increase productivity while scaling your business. A properly designed and implemented workflow management system will:

- Drive growth and scalability of the practice for maximum profitability
- Increase production and human capital capacity
- Enhance communication and collaboration across offices
- Offer complete visibility to production measures, resource allocation, as well as scheduling requirements for disciplines such as tax, accounting, audit, client accounting services and operations
- Measure and report performance to optimize effectiveness
- Manage client experience and satisfaction
- Deliver controls that ensure high-quality outputs and accountability
- Integrate with current implemented technologies to provide one central repository for information

Why would you handicap your firm by not providing your team the best management workflow technologies available? Do you have bigger problems to solve than making your team as effective as possible? If you want to have a world-class professional services organization in the modern environment, you must use world-class management technologies. The best-managed firms in the world are using workflow and process management platforms like XCMworkflow® to follow the status of clients, engagements, prospects, and employees, and are using visual data analytics tools like XCManalytics as a Service to monitor and manage them all in real-time.

Regardless of whether you're just starting up or you've spent decades building your practice, you owe it to yourself, your partners, your clients, and your staff to always provide prompt, efficient service. Just as FedEx®, UPS®, and other common carriers adopted workflow and process tracking systems a generation ago for package delivery, world-class professional service firms are adopting these systems to help their teams work collaboratively and deliver the best service possible for clients. Lastly, connecting your people through process and technology will result in higher productivity.

About CPA.com

CPA.com's mission is to empower CPAs for the digital age by providing targeted technology solutions, education and best-in-class strategic resources to help position CPAs and their firms for success in today's digital world.

CPA.com's partnership with XCM, a leading provider of workflow automation, provides CPAs a proven partner that can expertly consult on business process improvement to achieve productivity enablement via workflow automation. XCM has helped more than 33,000+ users realize the value of automating workflow.

Explore the [resources](#) CPA.com and XCM offer, including white papers, success stories and educational webinars on how to build a fully automated, end-to-end workflow in your firm and get more out of your human capital. CPA.com is a subsidiary of the American Institute of CPAs (AICPA), the world's largest member body representing the accounting profession. For more information, visit [CPA.com](#) and stay connected on [Twitter](#) and [LinkedIn](#).

About XCM

XCM offers a complete productivity enablement and workflow platform that empowers you to manage all types of work—within all departments, across multiple offices.

It's an open platform system that works horizontally across tax, accounting, finance, audit, and operations applications. XCM manages millions of processes per year, enabling professionals to complete more work, in less time, with greater quality. Our device and browser-agnostic cloud solutions offer real-time anywhere, anytime access to work.

Though we integrate with several popular tax and accounting packages, the real payback is through your greatest asset — your people. XCM is the only productivity enablement and workflow platform endorsed by the AICPA, and complies with the controls and applicable criteria of the AICPA Trust Service Principles.

For more information, visit [XCM](#) and stay connected on [Twitter](#) and [LinkedIn](#).

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