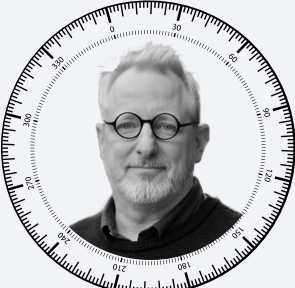


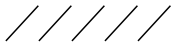
DIGITAL TRANSFORMATION IN ACCOUNTING:

THE PATH FORWARD



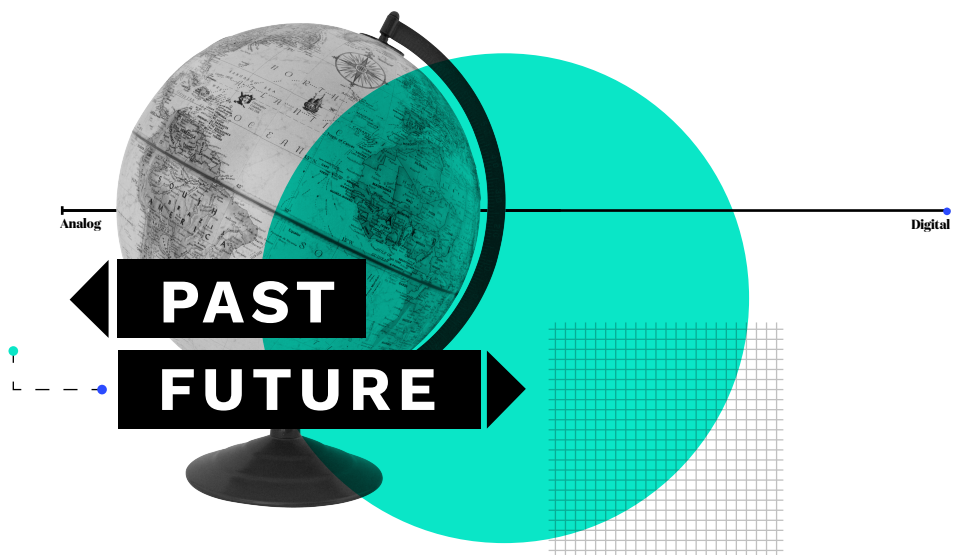
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Just like any profession or industry, the accounting profession goes through its own worries and fears about the changes in the profession. Humans are generally adverse to change, and accountants are typically of the mindset to fear change even more. We are a technical group of people, and we keep things in their place for a living. We are used to putting puzzles together. They always come together, no matter how complicated the puzzle! The need to become and embrace being a digital firm is here now, and it paralyzes firm owners. They know they have to change.

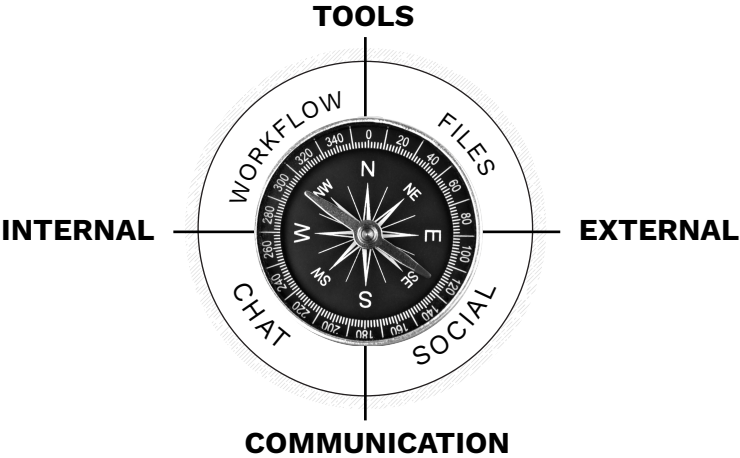
AI alone is fearful enough, but having to fully operate in a digital landscape is similar to what I saw when accountants were moving to the cloud. In the late 2000s, I was seeing everyone fearful about putting their data in the cloud. We all made it through that, and we all embrace the cloud now. That will be the case with AI as well. Many were fearful of technology taking our accounting jobs away when we moved to the cloud, but it didn't happen. And with the digitization of our thoughts with AI, we will continue to be a skilled profession into the future, and technology will simply help us do our work better, faster, and more accurately.



DEFINING A DIGITAL FIRM

There are always trends we navigate in our profession. Private Equity is buying up firms, older generations are retiring, and the labor market is currently tough to navigate. Being a digital-first firm is a change that has been going on since the adoption of the cloud. We don't have to fear digital! In fact, the more we lean into the digital nature of our work as accountants, the more we can enjoy what technology can do for us, our firms, and our clients.

Being a remote/virtual firm doesn't have to mean the same thing as being a digital-first firm. Remote/virtual is a location choice, while embracing digital is something any firm, whether virtual or brick and mortar, can employ. Being digital means operating without paper for greater service and efficiency, however a firm chooses to do that. A remote/virtual firm is forced to be digital since humans are not generally together in the same location and can only collaborate digitally. A firm with brick and mortar offices can gain huge value in operating digitally. Here are some parameters you can use to guide you in becoming a digital firm. We define the digital first firm from a tools and communication perspective, considering the internal and external impacts:



You can use this matrix as a guide to identify where you can make changes to your own firm on your digital journey.



TOOLS: INTERNAL

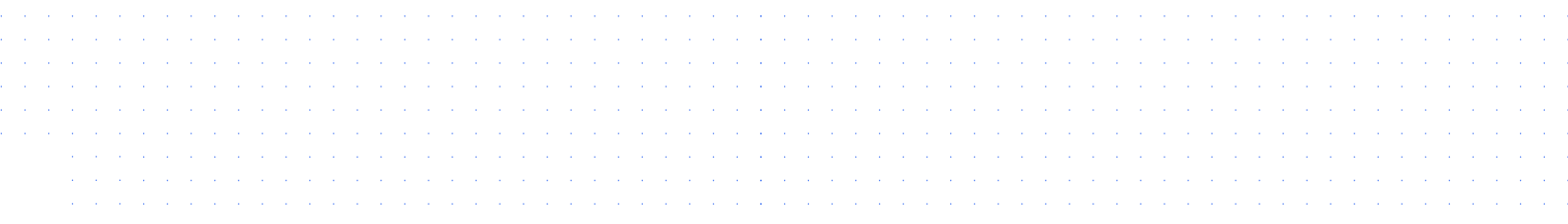
All digital firms will maintain digital tools as opposed to manual processes and paper. The main tool internally to focus on is your **workflow system**. This system is going to define the work flowing through your firm, documenting tasks, and keeping track of the scope that was sold to clients. The most efficient tools will be cloud-based and will work best for your particular firm. Not all workflow tools work equally for all firms. You have to consider the types of services you sell, your team's ability to work digitally, and how digital your client base can be, too. The workflow system you choose will be a reflection of the goals of the owner and what their mission is in serving clients.

For example, a high-value firm offering CAS advisory services may need a more granular system that allows them to collaborate with clients through the tool. A more commodity-based firm that produces high volumes of work needs a tool that interfaces with government websites well.



Either way, it's important to choose your workflow system based on what your firm is seeking to achieve as its goals. It's important to never copy another firm's tech stack. Do what is best for your firm.

Further, once you are in a workflow tool, moving out of that tool too soon can cause unneeded disruption for your team and clients. Even when a tool is providing only 80% of the value of what you think you want, remember that no other tool will perfectly match your own firm's pre-designed workflow. Once your firm is embedded in a tool, stay in that tool to maximize its benefits for your firm.



TOOLS: EXTERNAL

A **file storage system** in the cloud is the backbone of a firm and is the online digital filing cabinet you and your clients will use. This is an external-facing part of your digital system for clients to use. They can provide you with the documents you need and a safe place to store records on behalf of your client. In terms of client service, your choice of a digital storage tool will be a large part of the service your clients experience. And you will gain efficiency if you can find a tool that combines both workflow (for internal use) and file storage (for external use) in the same suite.

Our firm, [Blumer CPAs](#), is virtual, and our digital filing cabinet is a key to our service success. We have an internal team-facing folder system for our team to use and a client-facing external folder system for our clients to collaborate in. We set both of these up in a structured way, and they are consistent in our firm for all of our clients. Our operations team designs these folder structures in a way that makes sure our team is always seeing the same folder structure, no matter which client they are serving. This consistency produces efficiency, which allows us to serve more quickly. And this allows us to use our team's capacity more profitably.

Clients use your workflow system, not their own. Tools for firms are made for the firm's efficiency. Efficiency is gained when the same tool is used across the firm, and all teams are utilizing the same system. When a client introduces a product they prefer, and you allow that product to be introduced into your firm's workflow, it changes the efficiency structure of your firm. It becomes a hindrance to your team, and it is confusing to them. It may be an awkward conversation, but asking the client to use your firm's defined storage system is actually your commitment to that client's service.



When firms are efficient, they can provide better service. As a firm, stay committed to the file storage system that will allow your whole team to serve your client base well.



COMMUNICATION: INTERNAL

Digital firms employ internal **chat systems** that are made for digital (and remote) communications. Firms that choose to operate remotely find out quickly that email is not the basis for communication among the team. Online chat systems are made for knowledge capture of email threads, conversations that can be tagged, and private rooms, so virtual firms can do all the work of client and team management in smart ways in online chat tools. Email inboxes are not strategic parts of a team's (or a leader's) growth. Email is simply a necessary means of communication. When it comes to knowledge capture, that is when we choose to use other tools more suited for knowledge capture.

What is knowledge capture? Knowledge capture is the ability to document communications among the team and clients in a way that aids in service. It means knowledge is not lost when a communication is sent. For example, when a firm assigns an accounting task to one of its team members, it's not done over email. Instead, it is assigned as a task in a knowledge capture system so that the assignment can be followed up on, captured with all necessary information, and finally executed.

COMMUNICATION: EXTERNAL

You'll find digital firms must also leverage digital **social outreach** in targeted ways to reach out to their external markets and clients. Since digital firms often don't operate locally in a certain geography, they have to leverage online content to do their external outreach.

External communication also includes reaching out to your client base digitally, the ones who are already committed to your firm.



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Digital first firms keep an email list of their client base so they can publish newsletters, articles, and important technical updates to the client base periodically. Using external communications for the purpose of gaining clients falls under marketing, while external communications to your client base falls under the operations and service side of the firm. Either way, a high-value firm has to excel at clear and concise communication.

Though most digital firms rely on social posting to maintain communication with their potential client base, you may not be on social media. Still, you have to network face-to-face, and that is also a form of communication. In fact, being able to carry on a conversation with a lead in a networking event is actually the most important part of our communication since we are in the business of humans serving humans.

I'm GenX, and I had to learn to go to local Chamber and Rotary events and show interest in people I hoped would eventually become my clients. I believe our method of marketing (aka networking) is more sophisticated now and can be done globally, but it's important not to lose sight of the foundation of our digital social outreach - to actually show that we are a good choice for another business owner or individual to choose us to serve them.



We can never forget that our profession is founded on our care and service to humans who are in need of technical care and expertise. Digital is now an accepted way of working, but it is only meant to aid us in the work of humans serving humans. We must always lean into the human side of our service because that will never go away, thankfully.



BENEFITS OF


THE PATH TOWARDS DIGITAL

It really is time to make a commitment to being digital (whether you are a remote or brick-and-mortar firm). As your team leans into service in a digital way, there will be less friction, and the firm as a whole will operate more efficiently. Anything done manually relies on humans, and humans are always slower since there is friction in the manual transfer of information and knowledge.

Being digital also speeds up service. You don't need the mail service, and you can even bypass email if your workflow systems remind clients of the documents you need to complete their service. Instead of emailing a client a reminder request for documents, your digital workflow system can do that for you. And instead of emailing the client a spreadsheet with miscoded transactions in their books, you can use a digital tool to bridge the list of miscoded transactions to the client without using email. This leads to faster service for the client.

If your firm is considering CAS (client accounting services), then you'll have to be digital. This is a high-value and fast moving service where firms price the client for basically operating the client's financial accounting department. Since firms are not part of the client's team, we have to use technology to digitally bridge our service in with the client's financial department.

Our firm provides CAS services, and we are often working daily and weekly with our clients. You can't rely on the mail to do this type of work. This trend of our clients becoming more comfortable with outsourcing their accounting departments to firms is one that we can capitalize on... only if we are digital first.



Once your team learns to work together with a client's internal team in a digital way, then you'll be able to bring in better clients who pay a higher price to operate digitally and in sync with the firm. Thus, a digital firm can be more scalable as you can bring in more clients with larger prices. The benefits are significant, but it is important that the whole firm is on the same page when a firm embarks on a digital journey.

As you can see from our matrix above, digital operations touch many internal and external aspects of the firm. So you need the operational and technical sides of the house to all be on the same page to support one another with your digital footprint. If the firm decides to use a digital workflow system, but one partner refuses to input their information and work into the system, then the whole firm will slow down to that one partner's slower manual pace.

Any firm leader can be successful in a digital-first model. Digital first is already a point of competition, but if you are just starting your journey, you can still make great headway into the future. Digital-first firms are more competitive. You'll also do well to leverage products that have a platform that manages all of the data under one ecosystem (instead of using integrations).

Keep in mind, once you get to be a certain size team (like 8 to 12), you'll want to designate someone as your technology leader to manage the products, integrations, and keep the team safe. Being digital first also requires a rise in the importance of how your team is structured, so begin thinking of who can lead the digital efforts described in this book. We are all digital now, and that team member can lead your firm into a digital future so that you can be a strong competitor with all firms.



Here's to your digital journey!
Email us at info@thriveal.com and
let us know how we can support
you or provide more education on
your digital journey.