

## The Quest for Efficiency

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## The Quest for Efficiency

Managing an accounting firm is first and foremost about managing a business. Like any business, the first obligation is to grow and prosper so in turn the firm can serve clients, provide jobs for staff, and generate financial rewards for owners. Unfortunately, many firms have traditionally engaged in practices that don't maximize growth and prosperity. One key to growth is the embrace of practices that increase efficiency, and ultimately make the firm more profitable.

While this applies to companies of all sizes, firms that have grown to become part of the Top 100 list face challenges that make efficient processes even more critical. Typically these large firms have multiple offices that are dispersed geographically. Large partner groups are the norm in these firms, which leads to greater specialization and a greater need for current and timely information. Staff members in these firms are often assigned to highly mobile teams which need to be able to work efficiently from varied locations, only one of which is the traditional office. Any process improvements which increase work efficiency will yield a high payoff in these large firms.

One decision that firms of all sizes face is the selection of their software applications. Traditionally there has been a tendency to choose between the "best of breed" or an integrated suite. Those firms following the best of breed approach will examine competitive products and select based upon very specific attributes which meet a perceived need in their firm. As a result, these firms often end up with a mixed bag of software drawn from multiple vendors, and sometimes of widely divergent software generations.

Predictably there is little data integration possible in these installations, and while the individual software solutions are excellent at what they do, many work efficiencies remain out of reach. By contrast other firms base their software choices on a package of integrated solutions which are designed to interact with one another. Why is this interaction so important? Let's consider that question for a moment.

Data exists to become information. Usable information often requires data to be drawn from several different sources. Software that lacks the ability to smoothly share data with other applications serves to lock up that data in a single silo. To work around this limitation, those who need the data for other uses often resort to workarounds such as spreadsheets, locally created databases, and other tools. While these tools meet the needs of their users, they often require redundant data entry and need frequent updating to ensure the most current and accurate data are included. In short, they are useful but inefficient.

Clearly there are costs associated with these workaround solutions. It takes time to extract data from multiple sources and enter it, manually or electronically, into the reporting solution. The data transcriber has to be careful to include the most current data from

multiple sources. If data conflicts exist, they must be resolved. There are inherent risks to this process; if not done properly, erroneous conclusions can be drawn from inaccurate or incomplete information. Hidden relationships might not be visible if all appropriate data is not included in the extract. At best the process is slow and inefficient, requiring time that could be better spent on other tasks.

## **Efficiencies through Integrated solutions**

By contrast, let's look at the benefits which accrue from a fully integrated software solution. The list would surely begin with shared data. The goal is often stated as enter data once and then share it as needed. The key is multiple application interfaces entering to and drawing from a shared common database. This shared database greatly simplifies the creation of management reports and data analysis which looks everywhere for the sources of needed information.

A second benefit from an integrated solution is a common user interface in the application. Various modules are designed to look alike, with common icons and toolbars so that the transition from one to another is seamless and smooth for the user. This facilitates rapid learning and cuts down on training and support costs. Most integrated suites share a single login feature, and many provide a dashboard page which can become the user's "home page" from which he or she navigates to whichever module is needed next.

## **Integration Success Stories**

Fortunately, in the accounting profession we have seen significant progress in application integration on the client service side. For example, most major vendors to the accounting profession have robust and well established suites of products which greatly simplify the production of engagement work for clients. The transfer of data from client write up or audit work into tax return preparation can be easily done with a minimum of redundant data entry. Scanning technology has improved to the point that data received in paper format can be quickly converted to digital and transferred electronically into tax preparation software.

Research tools are fully integrated into these suites so that an auditor or tax preparer can quickly look up the legal or regulatory requirements for a particular situation without ever leaving his or her place in the core application. Completed results can be seamlessly transferred to a document management system and published to secure web-based portals for delivery to clients. Clearly, the client-facing side of the business has come a long way and is generating real rewards for the firms that have adopted these integrated solutions.

## The Remaining Integration Challenge

While fully integrated applications are well-established on the client service side of the firm, many challenges remain in the back office (i.e., the tools used to manage the business side of the accounting firm). Sadly, these remain the most fragmented processes in many firms — with little or no integration of the key data that they hold.

Perhaps the core of any business back office (accounting firms are no different) is the full range accounting system. Consisting of the General Ledger, Accounts Receivable, Accounts Payable, Fixed Asset tracking and perhaps other components, this is the source of all financial information for management decisions. Periodic financial statements are generated here, and the data is a gold mine for more detailed analysis.

Top 100 sized firms may need to include multi-company consolidations and perhaps multi-currency standardizations. Firms use a wide variety of applications to manage this data, including client write-up programs or more powerful general accounting applications which they might service or sell for their own clients.

Probably next on the list of critical applications for firms is the practice management, or time and billing, software. With today's mobile workforce, it is critical that far-flung staff can easily access the system and post time and expense data. Whether the firm bills by the hour, or uses fixed-price value billing engagements, the accurate accumulation of time spent on the job is a key source of cost accounting information. And, of course, this software becomes the source of billing and invoicing.

Once again, the major industry software vendors have provided robust practice management solutions but their integration with general ledger accounting is limited. Practice management is the source which accrues two of the most valuable assets of the firm: unbilled Work in Progress (WIP) and invoiced Accounts Receivable (A/R). Both of these are essential for preparation of financial statements, but those statements are prepared from a separate application.

So, in far too many firms, the end of month closing includes a journal entry in the accounting application which transfers in the balances for WIP and A/R which are held in the practice management software. Not only is this time consuming and potentially a source for error, a far more troublesome problem is that business intelligence software cannot bridge the two applications for source data. Drilling down into the accounting software, looking for trends or relationships which might be critical for informed decision making, hits an impenetrable wall at the journal entry. No further analysis in that query is possible. The solution, of course, is to have the WIP, A/R, and general ledger data all in the same database so it can be mined.

Accounting firms need some way to manage all their multiple client contacts and marketing efforts. For smaller firms this can be a simple contact manager. Programs like ACT and GoldMine are popular solutions to this need. But, for Top 100 sized firms these contact managers are probably insufficient. Larger firms will need a full featured Customer Relationship Management (CRM) application. This will allow the firm to track all the multiple contacts the firm has with a client, including different members of the firm contacting different people at the client business.

The CRM system is the best way to manage large mailing lists, newsletters and other wide-distribution firm marketing. And, while not designed to be a document management system, a good CRM application will allow the tracking of contracts, proposals, and other business development documents. The problem is, of course, that the introduction of a CRM system into the firm potentially creates yet another unrelated database. Is the client address in Practice Management, used to send invoices, the same as the address in CRM which is used to send marketing material? If an address or phone number changes, how many different places must the update be made? The value of sharing this client information database should be obvious.

Another huge challenge for firms is the scheduling of staff to upcoming engagements. Ideally, the firm would like to see the most talented and efficient staff assigned to the most profitable engagements. Firms with multiple offices might want to combine talent from different locations to build a team tailored to the need at a particular engagement. While there are several good staff scheduling tools available, few are fully integrated with the rest of the back office suite. Knowing which staff has prior experience with a recurring or similar job, which staff has worked with the client before, and of course who is available when all become pieces to this puzzle. Small firms might know this intuitively, or be able to track it on some locally developed spreadsheet, but Top 100 sized firms need a robust staff scheduling tool, and they will want it to be part of their fully integrated back office suite.

Large firms, by definition, have large staffs. And, larger staffs mean a greater need for a full featured Human Resources management tool. Pay history, benefits selection, training records, specific skills or qualifications, and vacation scheduling are among the many tasks firms will demand from this software application. Many of the items tracked here (vacation time, for example) have direct bearing on engagement scheduling. As we have seen before, unrelated applications require this data to be extracted from one source and matched to another in order to accomplish required tasks. A fully integrated suite, with a shared database and common user interface, will allow this information to flow smoothly between modules and eliminate much of the inefficient user intervention required by less functional applications.

Business Intelligence (BI) analysis and reporting is an under utilized tool in most firms. One of the reasons, of course, is the limitation outlined above. If the firm is able to consolidate practice management data with other financial data, then BI becomes a potentially game changing source of management information. Who are the firm's most profitable clients? Which are the firm's most profitable engagements? Who are the most efficient staff members? Are the right resources being applied against the right engagements? These questions and many more can be answered with a good BI solution with access to all the right data.

## Finding a Solution

Suppose a Top 100 accounting firm wanted to update their back office applications and achieve the same degree of efficiency in firm management that they are enjoying in the client service arena. What would they look for? Where would they begin their search? Beyond the complete integration of data and shared user interfaces, other key decision points might include:

- Lower deployment costs
- Streamlined administration, training and support
- Improved Business Intelligence and decision-making
- Rate at which you will achieve a positive ROI
- Minimized interruption to critical business processes

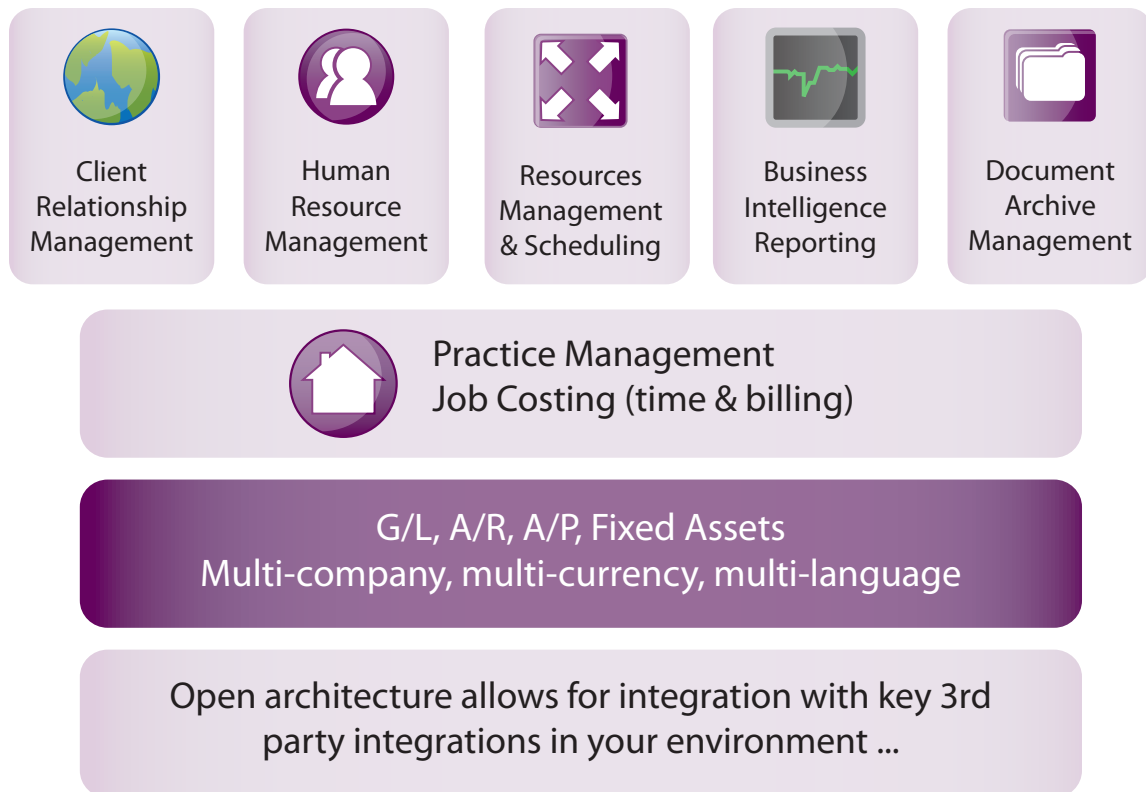
A key feature to look for, particularly in large and growing firms is scalability. Will the system that supports 50 users comfortably perform as well when the user base grows to 1,000 or more? Application architecture and database structure are key elements of success in this area.

Fortunately, a solution exists today which provides all these benefits and is well suited to larger accounting firms: the professional services ERP suite from Maconomy.

## Maconomy: One Solution

Maconomy's integrated ERP software addresses all of the critical business needs of a Top 100 accounting firm. An integrated system means lower ownership costs, fewer integrations to maintain and - as a result - significantly less time performing reconciliations between systems. Having grown 100% organically, Maconomy is one of the few vendors in the marketplace that can offer a *truly* comprehensive integrated ERP solution.

Maconomy's software is designed to support a wide range of functions across an accounting firm. The solution includes the following applications :



## Financial Management

Maconomy's accounting software ensures fast and accurate financial reporting, enabling everyone in the organization to share the same information at the same time. This allows you to make informed decisions and manage your business based on real-time facts.

All core financial ledgers in Maconomy's accounting software are fully integrated with the comprehensive practice management module. This means all data are available in real-time, any time.

Maconomy's optimized invoice process helps you improve your cash flow through incremental or progress billing. Maconomy's financial model supports processes such as WIP evaluation, intercompany transactions and multiple reporting currencies. Full matching principle is maintained for fast and accurate month-end closings.

## Practice Management

Maconomy offers extremely strong practice management functionality for managing clients and engagements. Maconomy's practice management solution provides partners, reviewers and billers a fully updated status overview of each engagement or job for which they are responsible. This allows them to create budgets, review work in process and manage billing. Engagement and budget creation are based on templates or actual data from previous engagements. Budgets can be broken down into convenient levels or phases using work breakdown structure on multiple levels.

Maconomy's time and expense management modules are fully integrated with the engagement billing module allowing for a streamlined review and billing process. Billing related 'to dos' and 'alerts' can notify engagement staff of key metrics over the course of an engagement – has my project reached 80% of the budget? Are there project related expenses that need to be approved? Maconomy's practice management solution allows firms to manage projects proactively, assuring project profitability and back office efficiency.

### Maconomy's accounting software includes a full set of financial ledgers:

- General Ledger
- Accounts Receivable
- Accounts Payable
- Finance Budgeting
- Fixed Assets

## Time and Expense Management

Maconomy developed its time capture solutions specifically for accounting firms. Time entry is most accurate when it occurs immediately upon task completion. Maconomy's Time – on Time concept is about capturing time immediately after the service has been delivered – not at the end of the week when only a blurry image remains.

When time is entered accurately and promptly, more time becomes invoiceable. Employees have a tendency to enter more time on internal engagements when they have doubts as to how many hours they spent on a particular engagement. Getting it right drives higher utilization rates and an improved bottom line. Over 126,000 people use Maconomy everyday as their time tracking software.

Employees can access Maconomy with their mobile phones using Mobile SpeedSheet – anywhere, any time. By entering time as it occurs, employees will increase the number of invoiceable hours.

## Client Relationship Management

The Maconomy Customer Relationship Management (CRM) module allows you to maintain all the relevant information you require regarding your customers and prospects. The system can store company and contact information and can be used to track every communication (phone calls, letters, invitations, meetings, campaigns, etc.) that occurs between members of your organization and your customers and prospects.

This is beneficial for a number of reasons. When a customer or prospect has contact with different members of your organization, it is important that everyone is aware of what other activities are being undertaken. When an employee leaves your company, their contacts and the history of their activities with customers and prospects is maintained, giving their replacement a full history of all communication.

Maconomy CRM gives you a complete picture of client performance and history. Getting this overview often requires a vast amount of information to be gathered from different sources. With Maconomy's CRM module you avoid the time-consuming hunt for information and you can access the information in a single view.

### Time & Billing Software Key Benefits

- Capture time anywhere, any time
- Time capture is no longer a tedious task
- Improved data validity provides enhanced transparency for customers
- Time can be invoiced immediately after it is captured
- Seamless integration to all other Maconomy ERP modules
- Time tracking software that delivers real business benefits

## Resource Planning & Staff Scheduling

Maconomy's Staff Scheduling solution, People Planner, enables Resource Managers to optimize resource planning and resource scheduling based on a real-time overview of availability. Maconomy clients use People Planner to increase profitability and utilization and get full insight into what people are working on. You can immediately spot who is available and who is overbooked because People Planner provides a complete overview of the projects that people are assigned to in a single Gantt Chart. Depending on your preferred planning level, you have real-time insight into resource availability by day, week or month. Many companies use individual spreadsheets for resource planning and lack a company-wide resource overview. People Planner can provide the tools you need to improve efficiency in project and job execution through better planning. People Planner adds value to your business because it is a corporate, easy-to-use planning solution – your next step after Excel.

You can monitor load, resource utilization, and revenue for all employees in your team. Resource Managers and Resource Planners can work closer than ever with Project Managers because the resource overview is fully integrated with your project management tools in People Planner.

## Human Resources Management

The Maconomy Human Resources (HR) module gives you a single entry point from which you can manage all HR processes, including:

- Employee goals and metrics
- Recruitment procedures
- Compensation management
- Skills management
- Training
- Employee history

HR managers can support the individual career development of your entire staff through an auditable, controlled HR process that tracks goal setting, skills development and results. This promotes a culture of high performance and accountability in your organization.

Furthermore, employees can be sure that the information they rely on to track their performance and calculate their bonus is accurate, as Maconomy's ERP is one system. There will be no difference between the data in the practice management modules and the general ledger.

## Business Intelligence

Maconomy Analytix is a Business Intelligence solution with tools that allow you to analyze all your business data and break them down in new and intuitive ways. Analytix is powered by market-leading Business Objects™ technology and is fully integrated with your Maconomy solution.

Maconomy's BI solution provides the following benefits:

- Get the necessary insight for strategic, tactical and operational decision-making
- Drag and drop the fields you want and easily create your own extra fields when needed
- Set up your BI project faster by incorporating the latest findings from our business consultants
- Save time by using templates that can be easily adapted to your company's specifications
- Optimize the performance of your reports without compromising overall system performance
- You can gauge the overall health of your business by looking at your top and bottom lines. But if you want a foundation for increasing your profits and be better equipped for seizing strategic opportunities, you need an advanced Business Intelligence solution.

## Accounting Industry Expertise

Businesses are managed very differently across different industries. It is crucial that the solution is tailored to a particular way of doing business. Your ERP vendor should be able to demonstrate in-depth knowledge of the work processes specific to your industry.

Twenty years ago, Maconomy began offering ERP solutions exclusively for professional service organizations. Maconomy's first customer was KPMG. KPMG was a primary participant in the initial design and build of the professional service solution you see today (the backbone of the Accounting Solution).

Before KPMG deployed their own Maconomy solution they benchmarked that 3.5% of total revenue was spent on finance and administration. Within a two year period, using Maconomy, this number was brought down to just 0.9% of total revenue. Since then PricewaterhouseCoopers, Deloitte, Grant Thornton, BDO, RGL Forensics and other leading accounting firms have chosen Maconomy to increase business control and maximize profitability.

You can also be assured that all of the consultants assigned to your firm's implementation will be Maconomy employees with extensive experience working with professional services firms – in fact, many of Maconomy's consultants are CPAs and have previously worked as employees at accounting firms.

Maconomy can offer accounting firms deep industry specific data models, workflows, templates, reports and configuration tool-kits. Maconomy's pre-configured industry specific solutions can work nearly out of the box with limited configuration during deployment.

All of this expertise ensures there will be minimal interruption to your firm's critical business functions when deploying Maconomy.

## Scalable Solution

Maconomy's largest US client is hosting roughly 7,200 users spread across 50 countries on a single server located near Chicago, IL. Maconomy has completed acceptance testing that has proven our software can scale up to 60,000 users on a single server. Firms can be assured that they will not outgrow the Maconomy solution.

## Achieve your ROI

As with any other investment, the purpose of investing in an ERP solution is to attain a positive return. Research indicates that Maconomy's industry focus is an important parameter in terms of how quickly a business can expect a positive return on its investment as shown in the fact box.

### Client ROI on Maconomy

95% of clients achieved a positive ROI on their Maconomy investment within 24 months (SAP: 47%, PeopleSoft: 84%)

65% reported higher productivity and reduced administrative staff thanks to Maconomy

Time savings of 15-40% were reported by employees who spent most time working with the ERP solution

65% of clients achieved a greater resource utilization, resulting in a higher number of hours invoiced

*Source: Nucleus Research (2007)*

## Your Plan of Action

Hopefully, by reading this paper, you are or have become a believer in the idea of integrated software for your accounting firm's back office operations. The ability to share data, analyze data, streamline staff training through common user interfaces, and to address all the critical needs of managing an accounting firm should be a high priority for any firm. Maconomy ERP software clearly meets all of these needs.

The next step to gain more information about this integrated suite of management products, designed specifically for accounting firms, is to contact a sales representative at 617-226-7600.

Because conversion to a comprehensive ERP suite of software will be a significant event in the life of your firm, be sure to include this conversion into your firm's strategic plan. Many firms find their success rates for software conversions increase by using a Task Force approach to ensure the needs of various firm constituencies are met. Plan for your conversion, budget for it, include a spectrum of affected people and build in accountability to ensure you make progress.

Best of luck as you move toward more efficient use of staff, happier clients, and higher profits for your owners.