



# Future of SMPs: Digital Transformation

Webinar, 4 March 2021

# Housekeeping



- Please keep your video off and mike on mute
- Please select your language preference (German channel has Georgian translation)
- Please be prepared to answer a few short questions
- Please type any questions you have into the message chat, stating who you are and from which organisation
- Please note that the event will be recorded

# Presenters



## Martin de Bie

Advisor, New Technology & Cross Industry Innovation and Chair, EFAA Digital Working Group

## Paul Thompson

Director, EFAA for SMEs and World Bank Consultant



# Agenda

- Opening Remarks (*5 minutes*)
- Practice Transformation – Paul Thompson (*10 minutes*)
- How to Digitalize Your Practice – Martin de Bie (*45 minutes*)
- SMP Pacesetters Embracing Technology – Paul Thompson (*10 minutes*)
- Questions and Answers (Q&A) (*15 minutes*)
- Closing Remarks (*5 minutes*)
- Reading

# Opening Remarks



- More than ever before the SMP (Small and Medium Sized Practice) is the trusted adviser to smaller businesses, and the Covid-19 crisis is a call to arms for smaller accountancy firms to transform further. Digital transformation of SMPs is key to accelerating the pace of change, ensuring durability, and driving better understanding of client needs.”
- “The pandemic has, in fact, accelerated digital adoption in areas such as e-commerce (for reaching clients) and remote working (for reaching staff) that relate directly to maintaining operations.”

[COVID-19 - the SMP's road to recovery](#), ACCA



# Practice Transformation – Introduction

## Practice Transformation Action Plan – A Road Map to the Future

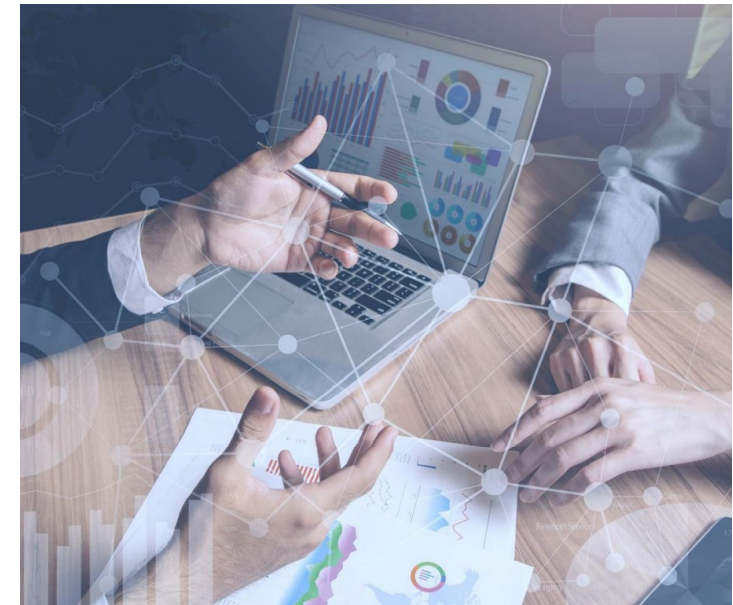
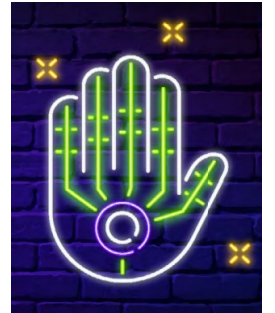
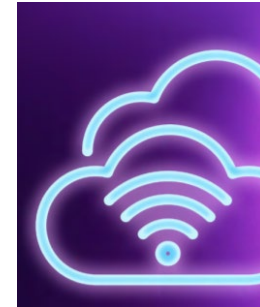
- Embrace Change
- Leverage Technology
- Focus on Talent Management
- Evolve the Firm Operating Model and Build Advisory Services

*Practice Transformation Action Plan – A Roadmap to the Future*



# Practice Transformation - Adopt & Embed Technology I

1. Conduct an Environmental Scan
2. Align with the Long-Term Strategy & Formulate a Realistic Implementation Plan
3. Adopt the Cloud
4. Involve Clients in Technology Decisions
5. Identify and Support an Internal Technology Champion



# Practice Transformation - Leverage Technology I

- **Embracing technology critical to**
  - Improve practice efficiencies
  - Enhance service delivery
  - Motivate staff
  - Expand services
- **Requires**
  - Continuous investment
  - Discussion with other firms and clients
  - Cloud technology

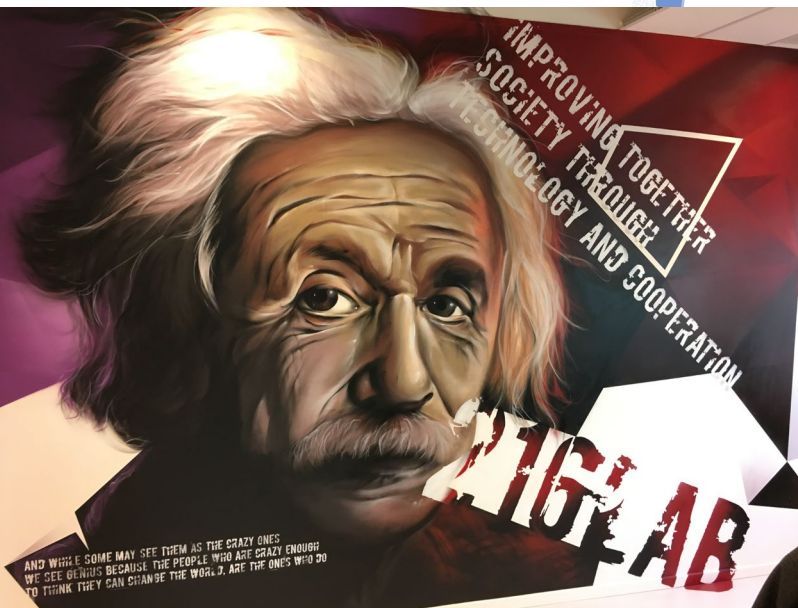




# Practice Transformation - Leverage Technology II

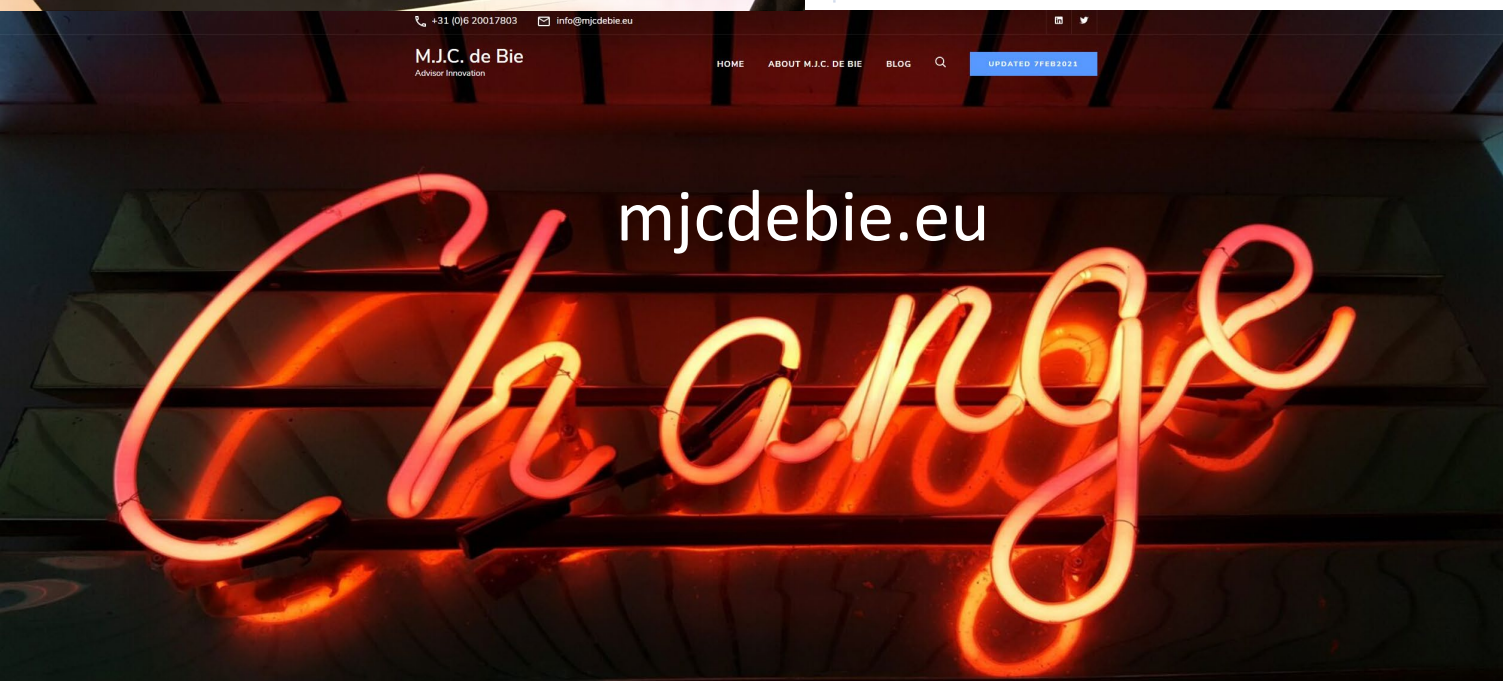
- **Successful adoption & implementation involves**
  - A coordinated approach and strategic plan
  - Internal champions
  - Procedures being designed and enforced
  - Ongoing training for staff at all levels





**Martin de Bie**

Advisor new technology &  
cross industry innovation





# Digital Transformation Isn't Easy It's a Strategy

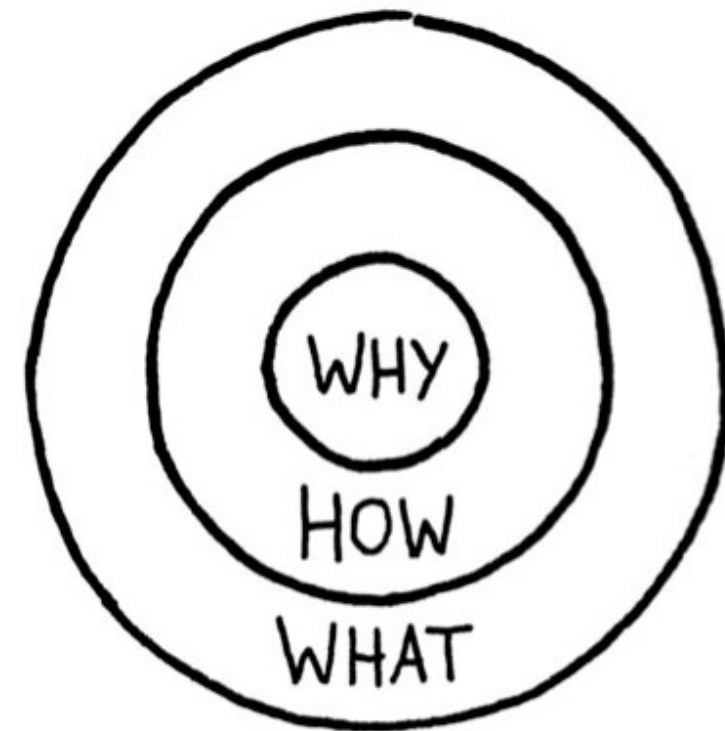


# Digital Strategy is a Well Thought Process

EXHIBIT 1 | The Five Rules of Digital Strategy



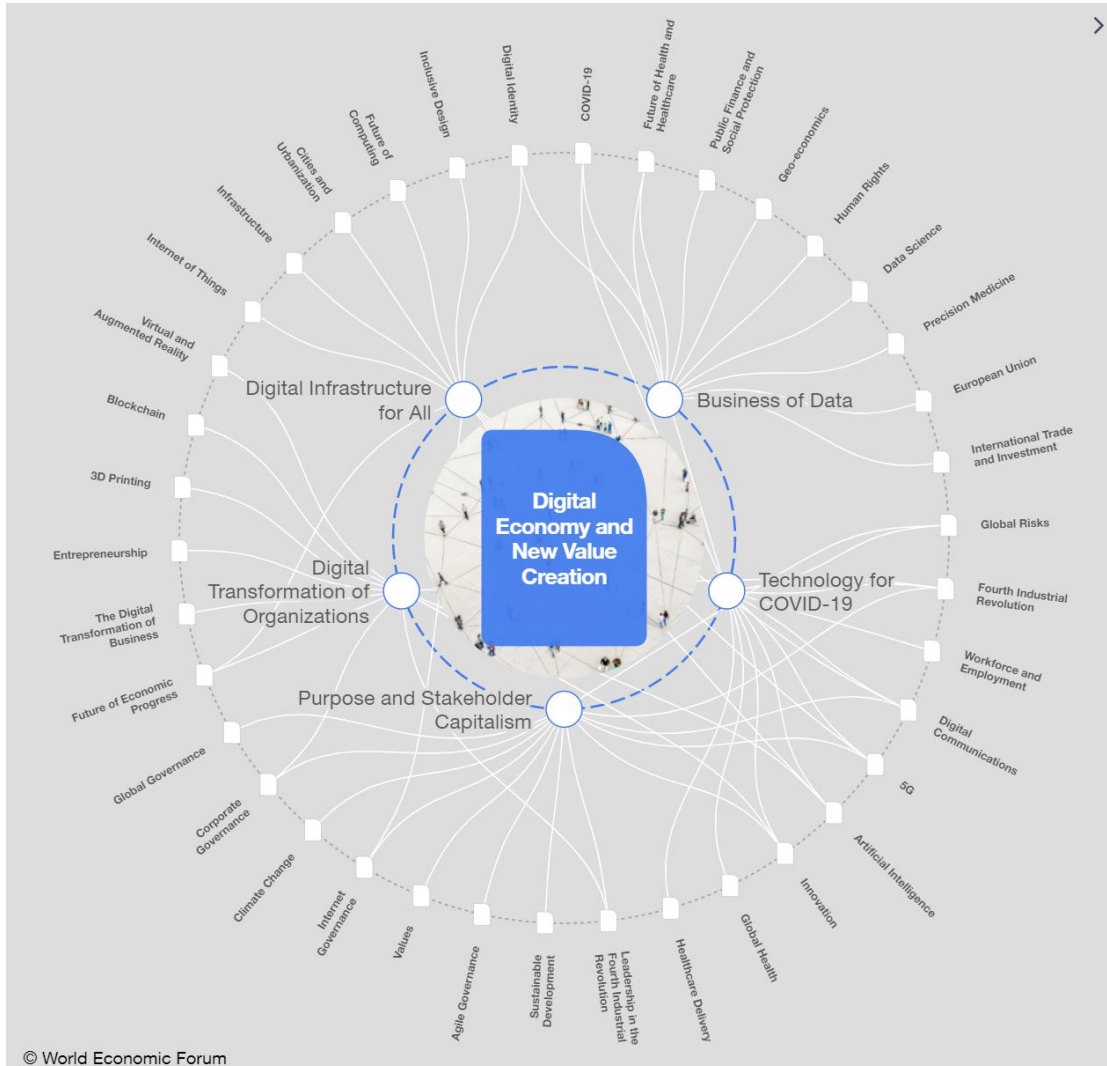
Source: BCG analysis.



Source: Simon Sinek, Inc.



# Why SMPs Need to Move to Digitized Services

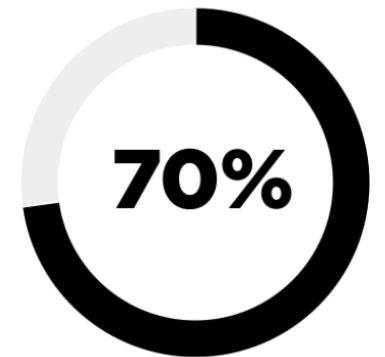


The unprecedented disruption by COVID-19 is accelerating the urgency for agility, adaptability and transformation. Industry structures and business models are being disrupted – and the digitalization of the economy is being rapidly accelerated.

An estimated 70% of new value created in the economy over the next decade will be based on digitally enabled platform business models.

## Moving to fully digitized services is now more crucial than ever

As new demand for distributed digital engagement rises, businesses need to solve remote workforce, network efficiency and workflow latency issues.



70% of new value created over the next decade will be based on digitally enabled business models.

World Economic Forum's Shaping the Future of Digital Economy and New Value Creation Platform

# Data Driven Approach



**Compliance** is now about speed, accuracy, and competitive pricing. But what clients really value are relationships, analysis, and advisory services. These things come from insights derived from real-time data – insights that can enable real business change.

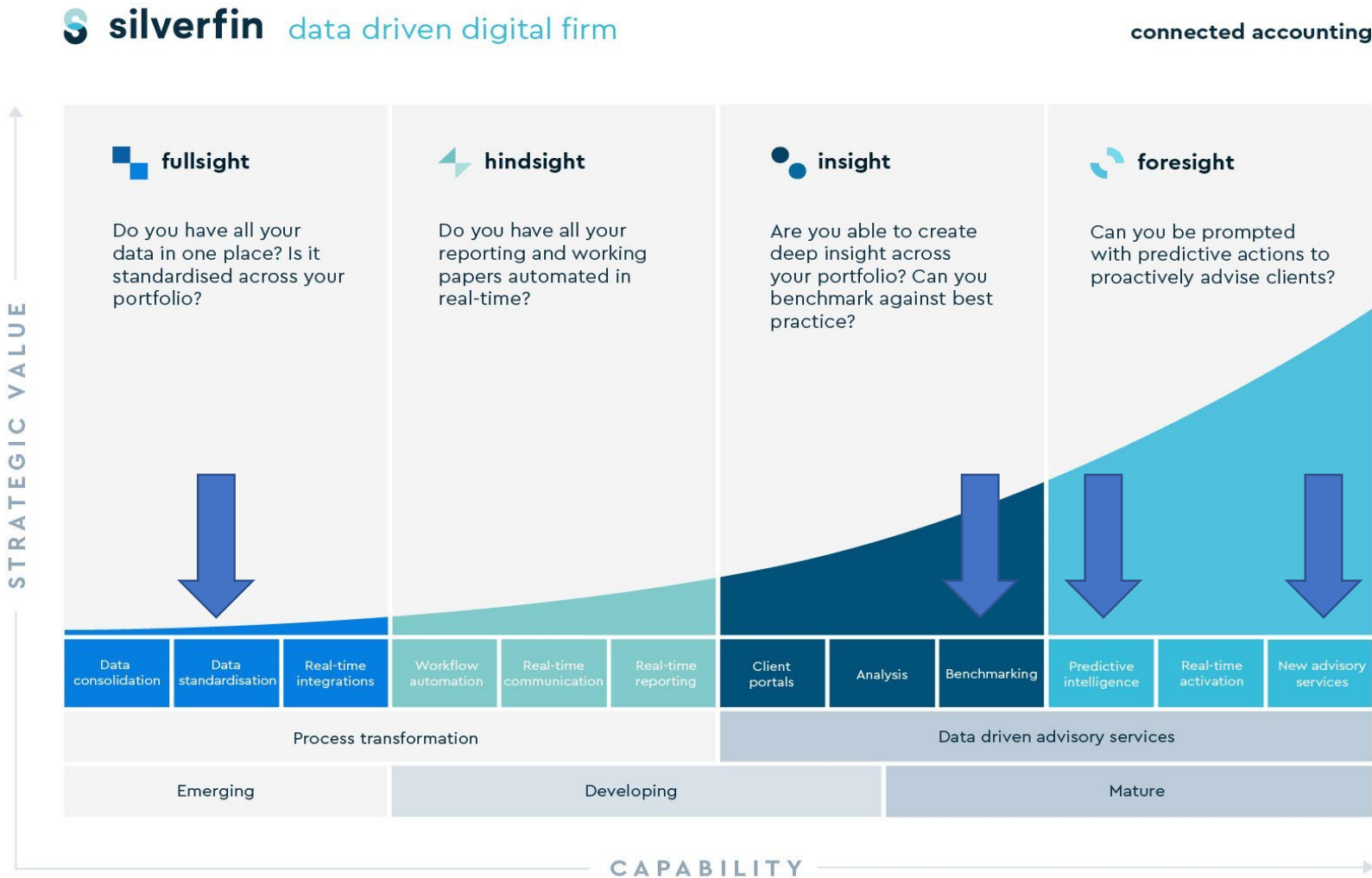
To ensure an optimal client experience offer a **standard work process** composed of the following **best-of-breed** software solutions which integrate seamlessly with each other.

Focus on real-time data. It gives you visibility and access to all the financial information you need to complete compliance and deliver advisory services **efficiently** and **accurately**.

You can see everything with all historical and current client data from multiple sources stored in one location. Nothing goes unnoticed.

Real-time and automatic updates from your clients' systems ensure information is always up to date. Standardizing this data into a **common chart of accounts**, and a single data store, also makes automation possible.

# Steps to Data Driven Services



Source: <https://www.silverfin.com/resources/4-steps-to-take-for-a-successful-digital-transformation-of-your-accounting-firm>

# Growth Opportunities



- Entrepreneurs really need an advisor and a listening ear. Accountants must focus on this and invest more in emotional and social skills.
- IT and data skills are becoming more important to be a good business advisor. Accountants must be able to interpret data and convert it into powerful and relevant advice.

- Companies need to look ahead instead of backwards. The accountant must give instructions to the entrepreneur to keep his business running smoothly financially and technically.

- 1 New client acquisition
- 2 Increased advisory revenue
- 3 Margin-lifting efficiencies
- 4 Improving client retention



# What is the Biggest Bottleneck for Growth?

*Accounting is the largest **BOTTLENECK** for scale & growth*

## Capacity

Processing the accounting takes a lot of time, which is at the expense of customer contact and acquisition



## Right people, wrong tasks

Accountants who have to focus on providing advice are too concerned with accounting

## Attracting talent

Difficult to find qualified personnel to grow customer base

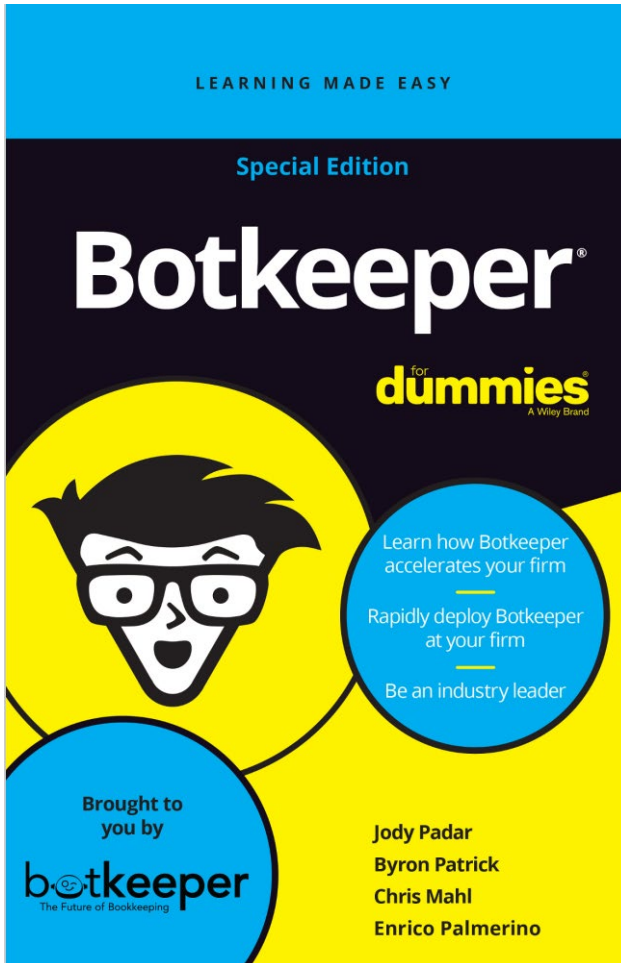


## Reliability and timeliness

Poor quality and late delivery does not provide a good basis for advice



# Trending: Bookkeeping will be Robotized



## Value to CPA firm

Economic impact

### Short-term

Weeks

#### IMPROVE BOOKKEEPING ACCURACY

- Increase categorization accuracy of all transactions to **99%**
- Less time spent fixing inaccuracies reduces costs and increases time spent on higher margin services

#### INCREASE BOOKKEEPING CAPACITY

- Reduce time spent on bookkeeping by **50-90%** to drive time on higher margin services & new client acquisition
- Increase staff to client ratio by over **300%**

#### IMPROVE CUSTOMER SATISFACTION

- Reduce 2-5 hours of time per client spent on redundant client inquiries
- Reduce 1-3 hours per client credentialing accounts
- Improved Timeliness
- Better Bookkeeping = Better Everything

### Mid-term

Weeks/Months

#### INCREASE REVENUE

- Fast focus on new client acquisition opportunities
- Repurpose higher-level accountants to more advisory services

#### IMPROVE MARGIN

- Short term: improve margin 3-15%
- Eliminate/reduce managerial time spent on supervising/reviewing books by senior level accountants
- Decrease ramp up time of new staff servicing clients
- More Advisory Services adding to margin lift

#### IMPROVE CUSTOMER SATISFACTION

- Enhance client relationships by investing weekly/monthly calls on advisory versus data entry

### Prominent Investor...



### Long-term

Months/Quarters

#### NEW SERVICE MODEL

- Expand market of potential firms to acquire
- Grow multi-million dollar CAS Practice for firms without accounting services capabilities

#### GROWTH VIA ACQUISITION

- Acquire 1-4 firms annually
- Immediate increase in revenue/profit yields

#### COST REDUCTION

- Disconnect Scale & Staffing curves

#### ENHANCE RECRUITING

- Offer new skills to entry-level hires versus data entry work



# Robotic is Machine Learning & Standardization



ROBOTICS ▾



Martin De Bie

Robotic maintenance

Financial | Robotic Edit



## SUPPLIER DETAILS

**Firm Name:** LEASEPLAN NEDERLAND N.V.  
**Address:** P.J. OUDWEG 4 1314CH ALMERE Nederland  
**VAT Number:** NL001667348B01  
**CC Number:** 39037163  
**Bank:**

## Introducing Reference Classification System of Financial Information (RCSFI)



Main Overview

Robotic +

	Sector	G/L Account	Article Code	Description	VAT Percentage
▾	00 - General	4204050 WBedAutOpa - Operational leasing auto's		lease...	21%
▾	00 - General	4204010 WBedAutBra - brandstofkosten auto's		Brand...	21%

## Advantages

Use of RCSFI helps accountants improve service delivery to their clients:

- Administering accounts is more efficient since all accounts are referenced to a standard classification. Compilation of reports is more efficient due to the connection between the RCSFI and SBR
- Better insight: standardization allows for improved data exchange between systems
- Improved financial analysis through comparable data. Standardization also provides opportunities for government agencies to reciprocate data exchange by providing aggregate data
- Improved quality of financial accounts by connecting the general ledger with other systems in the financial administration (such as e-invoicing, salary administration and point of sale systems).

Source: <https://referentiegrootboekschema.nl/english>



# How Does RCSFI Work in Practice?



Home Dashboards Accountancy Financial Accounts Sales Purchase Subscriptions

Overview | G/L Accounts > Maintenance | G/L Account  
**Maintenance | G/L Account**

Save Delete Copy Close

General

Code

00610.01

Description

goodwill

Translations [New](#) [Search](#)

Search code

GOODWILL

Type

General

B/S / Profit & Loss

B/S

Debit / Credit

Debit

Blocked

☐

Compress

☐

Monitor

[Transactions](#)

[Graph](#)

Classification: Customisable G/L account schemes

1: Classification

01.01.01

[Intangible assets](#)

Classification: Standardised G/L account schemes

RGS version 1.1: Classification

BlvaGooVvp

[Acquisition or manufacturing price of goodwill](#)

RGS version 3.0: Classification

BlvaGooVvp

[Acquisition or manufacturing price of goodwill](#)

RGS version 3.1: Classification

BlvaGooVvp

[Acquisition or manufacturing price of goodwill](#)

RGS version 3.2: Classification

BlvaGooVvp

[Acquisition or manufacturing price of goodwill](#)

Specific

Revalue

Matching

VAT cod

Reportin

	Reference Code	Description	Ledger Company A	Ledger Company B
	BVrd	Stocks	12400	3000
	BVrdHan	Trading goods	12410	3200
	BLimKasKas	Cash	10010	2000
	WOmzGrpGr1	Sales	80000	8500

Optional

[Add: Link](#)

Optional

[Add: Link](#)

Table 1: Example of the Reference Classification System of Financial Information (RCSFI)





# Dutch GAAP and RCSFI



## Reference Ledger Schedule - RGS Balance Sheet and Profit & Loss Account

[RGS Dashboard](#) > **RGS Balance** (for legal entities [Dutch Civil Code Book 2](#) )

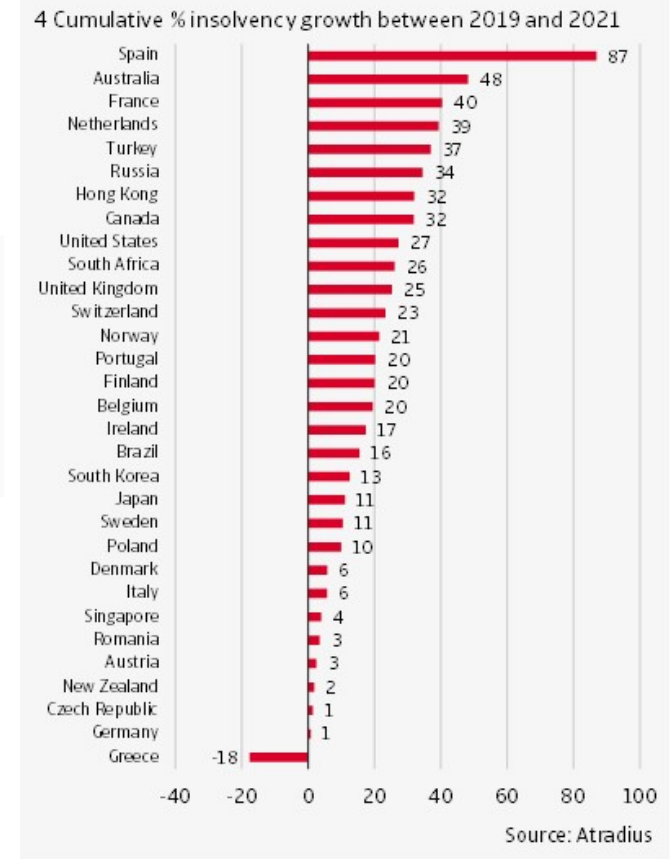
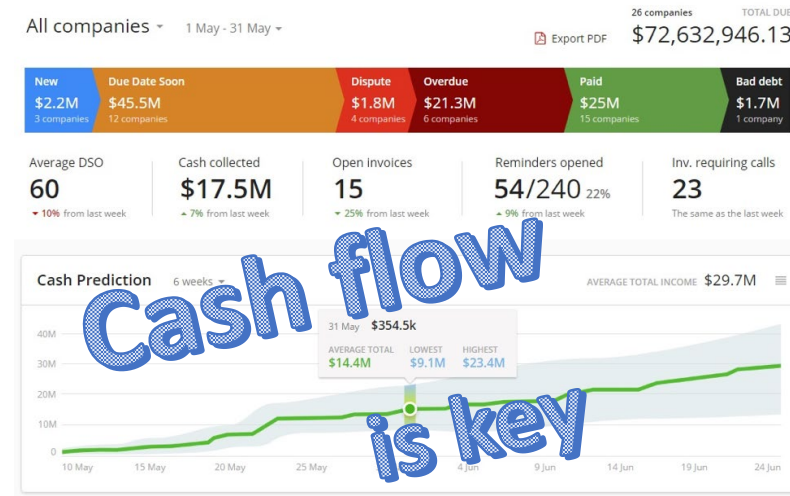
### Balance

<a href="#">Intangible fixed assets (BIva)</a>	<a href="#">Equity - capital (BEiv)</a>
<a href="#">Tangible fixed assets (BMva)</a>	<a href="#">Equalization account (BEga)</a>
<a href="#">Financial fixed assets (BFva)</a>	<a href="#">Facilities (BVrz)</a>
<a href="#">Stocks (BVrd)</a>	<a href="#">Long-term liabilities (BLas)</a>
<a href="#">Projects in progress (BPro)</a>	<a href="#">Current liabilities (BSch)</a>
<a href="#">Claims (BVor)</a>	
<a href="#">Securities - Short Term (BEff)</a>	
<a href="#">Cash and cash equivalents (BLim)</a>	

### Income statement

<a href="#">Cost of sales (WKpr)</a>	<a href="#">Net turnover (WOmz)</a>
<a href="#">Other organizational costs (WOk)</a>	<a href="#">Net result other activities (WNoa)</a>
<a href="#">Personnel costs (WPer)</a>	<a href="#">Change in stocks (WWiv)</a>
<a href="#">Depreciation of fixed assets (WAfs)</a>	<a href="#">Other operating income (WOvb)</a>
<a href="#">Changes in value of financial fixed assets and securities (WWfa)</a>	<a href="#">Proceeds from receivables belonging to fixed assets and securities (WOvt)</a>
<a href="#">Other changes in value (WBwv)</a>	<a href="#">Release of revaluation reserve (WVhe)</a>
<a href="#">Other operating expenses (WBed)</a>	<a href="#">Financial income and expenses (WFbe)</a>
<a href="#">Taxes (WBel)</a>	<a href="#">Share in the result of companies in which is participating tax on the profit or loss (WRed)</a>
	<a href="#">Share of third parties (WAad)</a>
	<a href="#">Net result after tax (WNER)</a>
	<a href="#">Movement in old-age tax reserve (WMfo)</a>

# SMPs Have a Key Role in Financial Data Chain



The main objective of the [Early Warning Europe](#) project was to create strong framework conditions for entrepreneurs that can help them face key challenges, including managing a crisis, dealing with bankruptcy and getting a second chance.

# SMPs Need to Look Ahead Instead of Backwards



216

Dashboard
Clients
Quest Forecast B.V.
Accounting
Forecasting
Cases
Reports
Info
Info

Home > Clients > Quest Forecast B.V. > Cases > COVID-19 Case

View

Case
Actual values in EUR / €

Currency sign
Account Nos
Grid lines
Input
Trends
Actuals / Forecast
Empty subaccounts

Account	Oct 2020		Nov 2020		Dec 2020		Jan 2021		Feb 2021		Mar 2021		Apr 2021		May 2021		Jun 2021		Jul 2021		Aug 2021		Sep 2021	
	BASE	SCENARIO	BASE	SCENARIO	BASE	SCENARIO	BASE	SCENARIO	BASE	SCENARIO	BASE	SCENARIO	BASE	SCENARIO	BASE	SCENARIO	BASE	SCENARIO	BASE	SCENARIO	BASE	SCENARIO	BASE	SCENARIO
1 Cash Solver (-)= shortage, (+)= surplus	0	0	0	0	0	0	116.570	116.570	122.954	122.954	211.983	211.983	170.085	170.085	145.118	145.118	153.850	153.850	138.026	138.026	193.015	193.015	283.113	283.113
2 Cash & Cash equivalents - (BS)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
3 Accounts receivable	0	0	0	0	0	0	332.893	332.893	269.792	269.792	213.210	213.210	189.767	189.767	172.434	172.434	204.558	204.558	235.439	235.439	284.872	284.872	262.498	262.498
4 Inventory - (BS)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
5 Other Receivables (incl holding/subs) - (BS)	0	0	0	0	0	0	9.310	9.310	9.310	9.310	9.310	9.310	9.310	9.310	9.310	9.310	9.310	9.310	9.310	9.310	9.310	9.310	9.310	9.310
6 Prepayments & accruals - (BS)	0	0	0	0	0	0	147.870	147.870	147.870	147.870	147.870	147.870	147.870	147.870	147.870	147.870	147.870	147.870	147.870	147.870	147.870	147.870	147.870	147.870

quest.dashboard.liquidityratios

quest.dashboard.solvabilityratios

SCENARIO

Scenario name

Description

Covid drivers

Operational input

Staffing expenses

Other indirect expenses

Working capital

Profit & Loss Forecast

	BASE 2021	Scen 1 2021	BASE 2022	Scen 1 2022
Revenue	2.391.756	2.391.756	2.630.932	2.630.932
Direct Cost of Sales	-724.702	-724.702	-797.172	-797.172
Gross margin (sum)	1.667.054	1.667.054	1.833.759	1.833.759
Salary	-232.944	-232.944	-267.886	-267.886
Holiday pay	-18.636	-18.636	-21.431	-21.431
Social charges	-98.236	-98.236	-66.971	-66.971
Other staffing expenses (non VAT)	-23.294	-23.294	-26.789	-26.789
Other Staffing cost (VAT charged)(incl VAT)	-614.164	-614.164	-736.997	-736.997
Personnel costs (sum)	-840.684	-840.684	-992.165	-992.165
Housing costs	-60.492	-60.492	-72.591	-72.591
Exploitation Cost	-35.684	-35.684	-42.821	-42.821
Office expenses	-314.915	-314.915	-377.898	-377.898
Car & transport costs	-27.874	-27.874	-33.449	-33.449
Sales costs	-18.289	-18.289	-21.947	-21.947
General costs	-67.635	-67.635	-81.162	-81.162
Cost of third parties	-31.190	-31.190	-37.380	-37.380
Other costs	0	0	0	0
Sum indirect operational costs	-1.396.723	-1.396.723	-1.659.413	-1.659.413
EBITDA (operational only)	270.331	270.331	174.347	174.347
Non-operational costs	0	0	0	0
EBITDA (incl. non-ops)	270.331	270.331	174.347	174.347
Depreciations	-95.826	-95.826	-95.826	-95.826
EBIT	174.505	174.505	78.521	78.521
Result of investments	0	0	0	0
EBIT	174.505	174.505	78.521	78.521
sum financials expenses	0	0	0	0
EBIT - Earnings before Taxes (EBT)	174.505	174.505	78.521	78.521
Taxes	0	0	0	0
Earnings After Taxes (EAT)	174.505	174.505	78.521	78.521
Third party interest	0	0	0	0
Earnings to reserves	174.505	174.505	78.521	78.521

# How SMEs Think of SMPs on Digitalization Topic



## SMEs expectations



### ■ Conclusion:

- Be a digitalized SMP to help SMEs perform better
- Accompany SMEs in their digitalisation process





# Digital Competency Rating

## Why is Digital Competence Important?

Digitalisation has [profound implications](#) for small- and medium-sized accountancy practices (SMPs). These implications will demand change. New digital technologies will continue to emerge. SMPs must anticipate these changes and be prepared to respond. SMPs, however, are typically resource constrained and in need of guidance and direction on how best to respond to these implications. This is where the Digital Competency Maturity Model (DCMM™) comes in.

## What is the Digital Competency Maturity Model (DCMM™)?

The DCMM™ comprises a questionnaire that enables SMPs to rate their current level of maturity on digital competency, identify areas where competencies are strong or lacking, and then develop a road map for achieving a higher level of maturity.

Source: <https://www.efaa.com/dcmm/digital-competency-rating.html>



# SMP Pacesetters Embracing Technology



[Introduction \[ARTICLE\]](#)

[Alex Falcon Huerta \[VIDEO\]](#)

[Nigel Adams and Nikki Adams \[VIDEO\]](#)



## Questions and Answers (Q&A)

Note – we are happy to receive after the webinar via email to [Paul.Thompson@efaa.com](mailto:Paul.Thompson@efaa.com) and / or [info@mjcdebie.eu](mailto:info@mjcdebie.eu)

# Closing Remarks

SMPs are recommended to

- Make digital transformation a high priority – disrupt yourselves or be disrupted
- Digital transformation equates to mindset, skillset and toolset
- Read IFAC's [‘Practice Transformation Action Plan – A Roadmap to the Future’](#) and leverage technology using steps outlined
- Accelerate digital adoption including the following: community technologies such as social media and messaging; ‘next-generation’ computing such as Cloud, Serverless and Edge; and data technologies such as big data, analytics, and visualisation
- Consider using the DCM<sup>TM</sup>, compare scores with the averages in report [here](#) and summary article [here](#), and then prepare a plan for change



# Reading (Georgian unless stated otherwise)



- [Survey of Auditors and Audit Firms on the Impact of the COVID-19 Pandemic on the Market for Audit Services in Georgia](#), World Bank / EU / SARAS
- [COVID-19 - the SMP's road to recovery](#), ACCA
- [Practice Transformation Action Plan – A Roadmap to the Future](#), IFAC
- [Why SMPs must embrace the potential of digitalisation](#), ACCA
- [How PAOs Can Help SMPs Transform their Businesses with Minimal Cost and Pain](#), IFAC
- [Quick Guide to Digitalisation and Business Diversification for SMPs](#), ACCA
- [SMP Pacesetters Embracing Technology \(Article & Videos\)](#), ACCA

# EFAA Secretariat



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