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BESTSELLING BOOK

OUTSOURCING AND OFFSHORING

FOR CPA/ACCOUNTING FIRMS

FREE CHAPTER FROM THE BOOK

THE DEFINITIVE SUCCESS GUIDE TO

CLIENT

ACCOUNTING

SERVICES



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Remote Staffing, Outsourcing, and Offshoring

When you are the key person to make things happen at your firm, you want to invest as much time in “business development” (not just marketing and sales) as humanly possible. Your firm’s growth will make you feel that producing and delivering your services is an essential core business function for you, but some of it is not. Freeing up yourself to spend more time focusing on the things that add value to your practice, and help set it apart from the competition is an essential differentiating growth strategy you will ever deploy. The same principle applies to your experienced, talented staff.

You will build your CAS practice on newer, cloud, collaborative technologies. It will help you automate many routine functions and optimize your operating costs. But you still need competent people to manage, nurture, and strengthen your client services and advisory functions.

Therefore, it makes sense to leverage paraprofessionals and transactional staff, located anywhere. Cloud technology will give your firm that mobility and flexibility to let such staff work from anywhere, anytime. When you do so, your more experienced team members can start working on higher-value tasks to ensure your firm’s profitability is enhanced. It also gives such talented and experienced people the much needed “job satisfaction” by being able to do higher-value work.

Record-keeping and finance department operations are considered the core functions of CPAs and accountants. That is why millions of businesses “outsource” accounting functions to accounting firms. And compliance is a huge responsibility for accountants. Regulation and laws create compliance necessities, and accountants help people deal effectively with the complexity of compliances. Accountants ensure that people understand what is permissible and what is not. Accountants study the laws and regulations on behalf of their clients so that their clients don’t have to. It is the trusted accountability of accountants to ensure compliance for their clients.



Accounting is NOT a services profession

Accounting is a KNOWLEDGE profession. “Services” turn the knowledge into benefits that accountants’ clients enjoy. Services is a mechanism to deliver benefits of knowledge. The complexity and sheer magnitude of laws and regulations that accountants have to learn continuously are not easy for non-accountants to emulate. It is, therefore, critically important for accountants to “interpret the information” to derive customized insights and intelligence about their clients’ business and taxes.

To acquire this intelligence, accountants need timely, accurate, and reliable information consistently. To optimize the cost of producing such information, accounting firms cannot compromise on the quality of resources. Outsourcing can help reduce the cost of quality resources to maintain healthy profitability for accounting firms. Nearly 70% of the top 100 firms have built their business models on benefits of accounting outsourcing (work is done in the country where accounting firm is located), including offshoring (work is done in foreign countries).

Why do accounting firms outsource?

Most firms that outsource consider it to address one or all of the following significant reasons strategically:

Resource challenge

- Attracting the right talent at the right price is a challenge for many firms, especially smaller firms.
- The capital required for growth is expensive, and lower profit margins make it difficult to finance growth.

Management bandwidth

- As discussed earlier, you may include a clause that allows you to increase the price if the client’s work volume increases or decreases by, say 10% or more. This is the “reset” clause that can resent pricing and also client expectations. With this clause, the client will not feel surprised for your request for a mid-term pricing review and will be



more amenable to consider the justifiable data points related to the proposed (required) price reset.

- But this requires your firm to lay down processes to measure the work volume of each client periodically. It could be the number of bills paid every month, the number of sales invoices processed, the number of transactions on bank/credit card statements, and so on. Without “measurability,” it will be challenging to get into pricing resent discussions with your clients. And without such periodic, mandatory measurement processes, you may end up continually reducing your firm’s profitability because some clients’ businesses are growing, and you are processing more work for them. Now, do not get tempted to go into “hourly billing” methods as those are proven to cause conflicts with clients and loss of trust and goodwill. It is just not worth it.
- Hiring and training are time-consuming and costly activities. Most small firms see a routine of trained staff leaving frequently. In the process, quality of service suffers, and firms lose sales opportunities as well as profits.

Cost-effective growth management

- Some firms may have reasonable control over resource challenges as they have enough partners/senior staff to ensure adequate management control. Such firms are ideally poised for growth, but it also means the requirement of better and profitable delivery capabilities. Growth can many times be limited by the physical size of the office, and the moment the firm outgrows the office, the capital barrier to growth gets triggered as financing a bigger or second office is a major decision that affects short term profitability and long-term business model. In such cases, outsourcing is a desirable choice to manage growth.
- As a business model, outsourcing provides three major growth-focused advantages:
 - Lower cost per unit of work produced
 - If off-shored, adding a whole shift to create new capacity – which enables firms to serve more number of clients / higher volume of work
 - Reduced overhead and management oversight responsibilities as all the administrative functions related to the additional workforce are taken care of by the outsourcing vendor. This directly results in improves client and quality focus and hence enhancement in service delivery standards.



While there is a cost to outsourcing, it can save your firm a significant amount of money by freeing up the capital that you can invest in other, more productive areas of your practice. Outsourcing can be especially beneficial for growing and new start-up firms by allowing them to conserve valuable capital instead of using it to build a costly office overhead and some internal staff. Outsourcing is also beneficial for bigger firms to retain their talented and experienced staff who get increasingly frustrated with routine, repetitive, data-intensive work.

How to know if you should explore outsourcing/offshoring?

If you are experiencing one or more of these 12 common scenarios, then bringing in an outsourcing services provider might help you grow your firm much more profitably.

You, as the firm owner/partner, are working longer and longer hours

but your struggles and sacrifices are not translating into incremental benefits for your firm. We all know there's a difference between working hard and working smart. Many accounting and tax professionals fool themselves into thinking that just because they are working 60-70- or 80-hour weeks, they are building their firms. But this isn't always the case. Often, the firm owners are spending half or more of their time doing things that could easily be handled by someone else, whether this person is a lower cost staff or an outsourced professional. Handing off such tasks will free you up to invest your valuable time on more strategic work that will have a more significant impact on the firm's future growth and success.

You, as the firm owner/partner, are becoming distracte

from the things you should be focusing on that will help grow your practice. The longer you are working yourself, chances are that the more you are not doing something that you should. There are some key tasks that only you, as the owner or partner of the firm, should be responsible for, and one of them is setting the strategic course and direction for your firm. Instead, if you are spending much of your time on tasks that others could handle – whether they involve data-entry, basic rechecking of work done, doing several excel calculations, human resources hiring, training and monitoring, IT, or more likely – running around for day-to-day fire-fighting – this will eventually hurt the long-term growth and even viability of your firm.



You are missing deadlines consistently.

Missed deadlines are a telltale indication that you and your existing staff are stretched too thin. For example, the books are not being closed in a timely manner, financial statements preparations are delayed every month, financial reporting is being seen as just generating it from accounting software and not really analyzing them for your clients' benefit, tax returns are being delivered late or worse - extended, either turning down new, short-term projects or if taken, not being completed on time; which in turn are resulting in you being more and more defensive on phone calls with more and more clients.

You find it difficult to get new staff, and your staff turnover is increasing.

Countless research studies show that for consistency in business, consistency of resources is a crucial factor, and people get fed up very fast when they are stretching themselves all the time. Also, when new generation staff regularly see the owners/partners being overworked all the time, they get disillusioned with the profession very fast. They certainly value work-life balance more than previous generations, including you.

You and your staff are becoming disgruntled.

As you and your team are stretched thin and overworked, missed deadlines aren't the only problem. Motivation starts to go down, which in turn brings down productivity and quality of work. The staff begins taking sudden and more paid/unpaid time off, or if you are a solo practitioner, your enthusiasm to get out of your home and go to your office simply vanishes.

Operating and compliance processes are not being followed.

As a regulated entity, you and your firm design internal processes and standards to ensure external compliance of laws and certifications. Failure to comply with accounting standards and tax laws could result in tax evasion investigation for your clients and, worse, losing practice license.

Your clients are complaining.

When your clients start frequently complaining about missed service delivery deadlines, poor quality, or poor customer service, it is a clear sign that you and your existing staff are stretched too thin, and outsourced support will be beneficial.



You are making less despite working more.

At the end of the year, you, as a firm owner or partner, realize that your best staff has made more or less the same amount of money. Your working hours increased significantly, but your earnings did not proportionately increase. It is because you did not manage to go out and get more clients. That is because you were busy at your office. In such a case, outsourced support is a vital ingredient for you to change the scenario from now on.

Your firm's performance is lagging your peers.

Compare your firm's performance with that of your peers in such areas as your service quality, number and types of services they provide, overhead cost percentage, profit margins, service delivery times, customer satisfaction levels, growth rate, non-billable hours percentage, per client revenue growth, etc. and see how you measure up and whether bringing in an outsourced professional could help improve your firm's performance.

You are not getting new clients or turning them down.

Either you cannot offer the services the new clients want because of lack of expertise in certain types of services that you generally do not provide; or because there are tight time deadlines for those high-volume projects and you simply do not have enough resources because you and your staff are already too stretched. You can see new business but can't get it. The net result is stunted growth, increasing monotony, and spiraling frustrations. In such cases, outsourcing is a perfect fit as it almost instantly adds new, profitable capacity to your business. And it can help you deliver services that you do not have expertise in, thereby making your firm more competitive in your market.

Your cash flow problems are starting to grow.

Cash is king in business. Poor cash flow can first increase your financing cost and ultimately lead to a total breakdown of your practice. Even for firms with strong sales and more "A" customers, if cash is getting tied up in receivables or delayed service deliveries, it is considerable stress. Outsourcing can add more productive hours, even when you are at home at night, and help you cut down service delivery times by 50% or more, thereby reducing receivables and their aging.



You do not have the capital for growth.

As an accounting professional, you know it better than anyone else that your assets have to be productive and “churning.” Growth for Accounting/ bookkeeping/tax preparation firms generally means moving to a bigger office, increasing overhead, and instant increase in cash outflow due to more staffing. In most cases, new business volume simply does not justify increased costs, and if your new sales are not coming in fast, you are in for a bottom-line-denting period. In many cases, there is simply no access to low-cost capital to fuel growth. This, too, is a perfect case for outsourcing as you “share” the overhead and resources and also don’t do it all yourself, saving you scarce money and time resources, yet helping you make a profit from outsourced activities.

How to mitigate strategic risks in outsourcing

In a nutshell, the three significant challenges mentioned above simply get transferred to the outsourcing vendor. And if you transfer some risks, you must analyze if your outsourcing vendor can mitigate these risks. Hence, it is critically essential for accounting and tax firms to ensure that the selected vendor has adequate competencies and resources to overcome these challenges. As early as possible, in your decision to outsource, do comprehensive due diligence. Here is a suggested checklist to conduct your due diligence:

Resources

- Does the vendor company provide services to firms similar to yours?
- Is the vendor company predominantly focused on accounting and tax-related services, or is it too diversified?
- How many staff members the vendor has?
- How many staff members the vendor has in the accounting/tax preparation services segment?
- Are the staff members trained in the work that your firm does / technologies that you use?
- While on the one hand, it is good to have a vendor who “understands” accounting firms’ business; on the other hand, there is a risk of you actually training your competitor-in-the-making, as the same vendor may potentially assist your competitors in your nearest geographical location. The best way to deal with this risk is to ensure that you include non-compete and non-circumvention clauses in your



master agreement. At the same time, ethical vendors will not approach or accept your competitors as clients. Still, it is crucial to define and agree to such expectations, e.g., the vendor should not sell to competitors in say a 5-10 miles radius. Depending on your long-term commitment and business volume possibilities, the vendors may or may not fully agree to such limiting clauses.

- Does the vendor have mostly full-time employees or part-timers?
- Are most of the employees' educational backgrounds in accounting/finance/commerce?
- Does the vendor have enough supervisory/managerial resources to ensure quality assurance?
- At the geographic location that vendor operates from, is there a steady and adequate supply of relevantly trained workforce available?
- Does the vendor have adequately quick access to reasonably cheap credit/financing for the ramp-up of its infrastructure and resources?
- Is the vendor's own office space expandable at short notice, or does the vendor have existing excess capacity?
- What is the background of promoters? Do they have a strong enough financial track record?
- Does the vendor agreement have a non-poaching clause? You don't want your star performers to be lured away by vendors.

Management bandwidth

- Does the vendor have enough supervisory/managerial resources to ensure quality assurance?
- What is the top management structure of the vendor organization? Are critical functions such as I.T., Operations, Sales, H.R. and Administration, etc. led by separate managers/executives?
- What is the quality assurance process? Is there maker-checker deployment? Are there adequate reviewers? Are there quality control managers?
- How is the client service management handled? Will the vendor dedicate one point of contact for you, with another stand-by?
- What is the experience of your dedicated point of contact?
- Does the vendor have formal training programs for continued professional knowledge and skills enhancement? What is the average number of hours each staff undergoes



training every year? For each new hire, is there a formal, adequate training program before such new hire gets allocated to process your work?

- Is there a formal “transition process” for a) transitioning work from your firm to vendor office and b) transitioning work from the expert staff at the vendor to the general processing team?
- How does the vendor identify mistakes at work? How does the vendor report to clients the “processing exceptions”? How does the vendor assimilate client feedbacks into day to day processing – is there a formal process; is there some technology that gets used for knowledge management?

Cost-effective growth management

- Does the vendor have adequately quick access to reasonably cheap credit/financing for the ramp-up of its infrastructure and resources?
- Is the vendor’s own office space expandable at short notice, or does the vendor have existing excess capacity?
- Does the vendor’s pricing ensure adequate profit margins for the vendor to be financially viable for the long term, including provisions for expansion from profits?
- Does the vendor use sub-standard (educationally less qualified, non-accounting educational background, etc.) staffing to ensure profit margins?
- Does the vendor use contract / temporary staffing at cheaper rates to ensure profit margins?
- Does the vendor have adequate I.T. infrastructure to provide a safe and secure working environment?

How coronavirus changed mindsets of accounting firms

Coronavirus caught the entire world totally unprepared for its aftermath. The impact on economies is unfathomable. Accounting firms are not immune to this unprecedented situation. The deadly pandemic led to “working for home” a requirement for accounting firms. The alternative was a risk to life itself. Firms scrambled to make technological arrangements to make remote working possible. It was a systemic shock to the decades of operating models of accounting firms. But over about four to six months into the pandemic, several firms recognized that it is possible to achieve good results by remote working.



Several staff members of accounting firms reported increased productivity and efficiency, as working from homes saved them commute times and stress. New collaboration tools like Zoom video conferencing, Microsoft Teams, etc. minimized the undesirable challenges like degradation of teamwork. Despite employees working from their homes, such tools made it possible for them to regularly interact with others on the team and across the firm and clients.

How did accountants respond to the new normal amid the pandemic?

Other than helping clients obtain small business loans and apply for Paycheck Protection Program (PPP) benefits, what were accountants experiencing? Based on daily conversations with accountants over the last six to eight weeks, I found these are some core focus areas of accountants:

- Health safety of employees, and business continuity
- Helping existing clients in their aim to remain solvent
- Remote operations and online collaboration
- Implementing more cloud technologies at the firm
- Process and cost optimization at the firm
- Providing more services, including more advisory to clients
- Investing in growth measures to attract new clients

That led to another critical question “are accountants now thinking differently about CAS?”.

One of the silver linings of the dark clouds of corona-impacted economic challenges is that business owners interacted far more with their accountants, compared to the pre-corona world. In addition to being commercial and compliance-oriented, such interactions were also highly emotional in these crazily anxious times. Accountants have seen far more busy times to meet the deadlines of PPP and Small Business Administration loan programs. All of these efforts ensured that, in general, clients are very grateful to their accountants, and that accountants have accumulated very strong goodwill in a very short period of time during the pandemic. Many accountants I interacted with told me that they waived tens of thousands of dollars in advisory and process work fees for clients for loans and PPP related work.

Importantly, clients increasingly experienced and recognized how much more accountants



could help their businesses beyond traditional accounting, payroll, compliance, and tax services. These experiences are fully expected to turn more clients obtaining more assistance from their accountants as post-pandemic, business owners would want to focus on their own businesses entirely. One of the key factors that are driving this new thinking among business owners is the experience they have had in recent times – how competent, capable, and resourceful accountants are in quickly navigating the changing landscape – economic and legal-commercial – to meet tight deadlines successfully. Without accountants' help, thousands of businesses would have missed obtaining the PPP and SBA loan benefits. ***Clients have clearly experienced the lack of their own “professional capabilities” that accountants have in abundance.***

Given these new shifts in clients' thinking processes, many accountants have planned to include more client accounting services in their offerings. Many accounting firms are expecting and working on generating more revenue from existing clients because CAS will also make the clients more “sticky.” It is also much faster and economical for firms to sell more services to existing clients who are more receptive to explore such possibilities now.

Seven Covid-driven client needs

In particular, here are the specific services accountants are working on offering more to their clients.

- **Business planning services**

Many accounting firms are planning changes to their practices – not just in core work but how they will run their own “business.” These freshly enhanced capabilities are making accountants help their clients more practically in planning their businesses.

- **Cost optimization advisory and working capital management services**

Firms themselves have rapidly worked on optimizing their own costs, and this experience is helping firms offer that expertise to their clients now. The measurable value of each dollar in a given business is something accountants understand masterfully. Accountants can leverage this core competency to offer working capital management services to business clients.

- **Different tax planning and advisory services**

The economic stimulus and PPP program will create new compliance requirements that are likely to have a significant impact on the taxability of businesses. There is no other professional segment than accountants to help clients with tax planning and advice.



- **Core, client accounting services**

Firms will do more work while clients will have no choice but to focus, more than ever before, on their core business transactions/operations, leaving professional accounting work to professional accountants. Automation and integrations across many solutions mean accountants can achieve excellent process efficiencies at their firms to be able to service many more clients and process much more work without adding resources at their firms.

- **Payroll processing and compliance services**

Never in the recent past would have clients recognized the need to keep payroll records up-to-date and fully compliant as in these unprecedented times. This is the much-needed trigger for business owners to take the help of professional payroll service providers to keep things correct at all times. Even with large scale unemployment, small businesses will still employ millions of people, and many of these small businesses that did not have robust payroll processes will find greater value in professional payroll services. As people return to work in the post-corona world, this segment will grow quickly.

- **Technology advisory services**

Accountants have been adopting cloud technologies for many years now. Even those firms that still had desktop solutions have now felt the urgency to move to the cloud. These experiences have turned into technological expertise for accountants. And no wonder accountants are finding themselves advising more clients on implementing technologies in client businesses more and more, at the very least in those businesses that do not involve purely physical labor.

- **More interactive and collaborative services**

Social distancing made it necessary for accountants to be much more interactive and collaborative. Clients that traditionally resisted paperless way of working with accountants have more or less adapted to the new ways of working. The most significant impact of this has been the increased interactions and collaboration between clients and accountants. This is paving the way for clients to understand that accountants can provide real-time services even from miles away, liberating more work to accountants. Accountants are adapting their business processes accordingly to make them more interactive and collaborative, thanks to technology. In other words, it means clients will be more open to working collaboratively with accountants, not just after-the-fact.



- **Crisis brings opportunities**

Almost everyone has now been forced to rethink how to work and do business. Accountants are not immune to this effect. It is actually turning out to be an opportunity for accounting firms to rethink their business processes, technologies, services mix, and even business models of their firms. Reevaluating the allocation of the budget at the firm to productivity enhancement, and more importantly, to process innovation using more technology solutions is the opportunity you don't want to miss to enhance your CAS practice.

Make your office virtual, at least partially

Remote working is here to stay, pandemic or no pandemic. Cloud software is a fundamental necessity for remote working arrangements.

In your firm's CAS staffing strategy, make sure you actively consider leveraging "remote talent" to make your office virtual, at least partially. It can help you create capabilities to offer higher-end services that otherwise would be difficult if you are in locations where staffing is a constant challenge.





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With years of experience in tailoring customized outsourcing solutions for CPA, Accounting, Tax, and Audit firms of all sizes, our outsourcing experts are your one-stop solution to help you:

1. Find opportunities for you to overcome staffing shortages and empower you to achieve the growth you desire and deserve
2. Quickly learn from the proven path of successfully implementing outsourcing arrangements at your firm (so you don't have to risk a trial-and-error method)
3. Get clarifications for your questions and concerns, and obtain more practical insights about outsourcing
4. Secure vital guidance to overcome obstacles and make informed decisions about outsourcing options
5. Get a customized outsourcing solution specifically tailored to meet your firm's unique needs

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With a perfect balance of a highly scalable and secure ecosystem comprising of some of the most acclaimed accounting & ERP software and human ingenuity to go with, we have been able to retain 100% of our clients in over a decade of our operations.