

Beyond Compliance

Let's Talk Efficiency!

Over the years SWATuk has carried out a vast amount of efficiency work for firms. After getting the compliance right so that the firms are confident that they can breeze a QAD or ACCA monitoring visit the natural question is: "Yes, but are we making any money from the work?". Sadly, all too often the answer is "Not as much as you should be".

In most practices the second biggest cost (after salaries) is under-recoveries. Of course, most practices don't see it, because the top line on most profit and loss accounts is turnover, namely fees raised AFTER unrecoverable work in progress. Try rewriting your management accounts to start with "work done" and then deduct under-recoveries to arrive at fees raised. That should focus the mind! You do the maths – if you could improve under-recoveries by just 1%, how much would that be? Now add a nought for 10% improvement – why set low targets?

Quality and compliance are often seen to be opposed to profitability, but need that be the case? The answer is "No". Improved profitability does not have to be at the expense of quality. Indeed, it shouldn't be. However, remember the definition of insanity: "Doing the same thing today that you did yesterday but expecting a different result".

If you want to improve your recovery rates you have to change your approach.

So, what are the main things that destroy decent recovery rates, whatever the type of work? **Here are SWATuk's top ten issues that need addressing:**

1. Pricing – if you get the fee wrong at the beginning, no amount of efficiency improvements will work. As a comparison, imagine you estimated it would take 15 minutes to travel 20 miles across the city in rush hour. Even if you qualified for an immediate driving disqualification you would still be late. The same applies if you get your pricing wrong.

2. Educate the client – you tell your client you need his books early for the tax return, but he brings them in late, so what do you do? Your best, of course! You and your staff work all hours and file his tax return just before the deadline, and charge him the agreed fee? What have you done? Well, for one thing, you've trained him to ignore your deadlines. Why should he keep his promises if there are no consequences to breaking them?

3. Agreeing the scope of work – you agree the price with the builder for your new kitchen. Then you decide that you want a double sink rather than a single one; and you've always wanted one of those American style massive fridges, so could he just swap the normal fridge for one of those. Oh, and you'd like an Aga instead of a normal cooker. Of course you'll need to redesign the kitchen units to fit the new layout. What do you mean it'll cost more? After all you agreed the price, didn't you? Of course, we would never expect a builder NOT to adjust the price in this situation. And of course, we adjust the price when the client asks for extras as well, don't we?

4. Keep it tight – you write to the client to call for the books and he duly brings them in. How long do the books sit on the shelf before you start? How many times do you pick them up and find that something's missing, or switch to another job which is more urgent? How long does the file wait before review, and how long before the final adjustments are made and you see the client? Every time you pick up the file and put it down you waste time and money. Minimise the time from getting the books to finalising the work. Client care improves, WIP plummets and recoveries go up. Why wouldn't you do this!?



5. Manage the drift – look at the order of attack on work. Do you drift into a job, or jump straight in and tackle the difficult or contentious issues first?

6. Linking your planning and your reviews. To test this, take a look at your review points. What percentage is about technical issues and what percentage relates to efficiency issues? Let me rephrase that: are there any review points relating to efficiency? What message does that send?

7. Get it right first time – have you ever tried removing the spoon of sugar after it was stirred into the tea? Difficult is somewhat of an understatement, isn't it? The same applies to wasted work – you've lost the time forever. So do you have a culture where staff feel totally safe asking questions if they are unsure about something? If you answered "Yes", are you really sure?

8. Set up a system to learn from your successes and failures. If something really worked well do you communicate this across the firm? Do you identify why something was successful and set about creating a process to replicate the approach on a firm-wide basis? Similarly, do you analyse disasters, not as a witch hunt, but to spot the lessons and make sure everyone understands them?

9. Use of IT – how good is your use of IT? So many firms don't realise what they could achieve if they really used what they'd bought. What would you think of someone who bought a Porsche and drove around in first gear because he didn't realise it had more gears or hadn't taken the time to learn how to change them? Of course, there's no comparison really, is there?

10. Lack of imagination - remember the old joke: "Why did the auditor cross the road"? The answer, of course, is "because he looked on the file and that's what he did last year". Taken to its extreme that means we would still be writing up accounting records on parchment with a quill by candle light! Tony Robbins defines successful people as "those who ask better questions; because they get better answers". How good are your questions?

Let me ask you three final questions:

- 🔵 Do you know that recovery rates are a problem?
- 🔵 If yes, have you been concerned about recovery rates for more than a year?
- 🔵 If yes, why haven't you sorted it by now?

Sounds a bit harsh? Well, maybe. When SWATuk runs workshops on efficiency issues we often start by getting the delegates to list all the issues that prevent 100% recovery rate. The ten points above address the vast majority of the reasons given. However, knowing what the solution is and implementing the solution can be two very different things. If you would like help to improve your efficiency, do give us a call. Sometimes it needs an outside person to create the impetus to get things to change. And as you all know:

**If you always do
What you've always done
You'll always get
What you've always got.**

SWATuk has helped many firms to improve their efficiencies, resulting in a reduction in costs and significant improvements to profitability. For more details of how SWATuk can do the same for you, call **0800 2800 433, or visit us online at www.swat.co.uk.**

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