



Next Generation Billing

Recommendations from Samantha Grovenstein-Deal,
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Introduction

For the better part of the last decade, Wolters Kluwer, CCH has recommended that firms eliminate paper from their offices and transition to full online functionality. We've seen swift adoption with billable work, but there is a noticeable lag with firm administration procedures. That's especially true when it comes to billing, which has been a harder sell for a number of reasons. This white paper provides an overview of the costs and long-term benefits firms can expect to achieve by moving to on-screen and real-time billing procedures.

The First Defense: Denial

Whenever firms start exploring paperless billing as a valid option, there is usually a cultural battle to wage before implementation can begin. The common excuses for not proceeding with online, paperless billing include:

- "We get bills out the door just fine."
- "Our customers pay..."
- "Our billing system has worked for 15-plus years. Why make changes?"

In our work with accounting firms large and small, we've seen significant differences between the approaches firms take toward implementing new ideas and new technology and their overall outcomes. Firms tend to fall into one of four general categories:

- Pioneers
- Early Adopters
- Mainstream
- Late Adopters

Organizing firms into these groups becomes particularly useful when we look at their successes and failures over the last year. In the Wolters Kluwer, CCH-conducted study, [*CPA Firms Succeeding in the New Economy: CCH® Leaders Now and Next Survey*](#) (an independent, nationwide survey of more

than 400 accounting professionals), we compared how firms self-identified by group with their business outcomes.

"Pioneers," for example, tend to be ahead of the curve in technology adoption and in the management of the firm. They are the firms always listening to the market, constantly on the lookout for ways to keep their firm growing. In contrast, "Early Adopters" may not be on the cusp, but tend to be firms ahead of the mainstream in embracing change. The "Mainstream" firms are the bulk of the market. They're neither ahead of nor behind the broad industry trends, but just where they want to be — squarely in the middle. "Late Adopters," on the other hand, are those firms that are resistant to change and need to be dragged kicking and screaming before they finally give in and accept it.

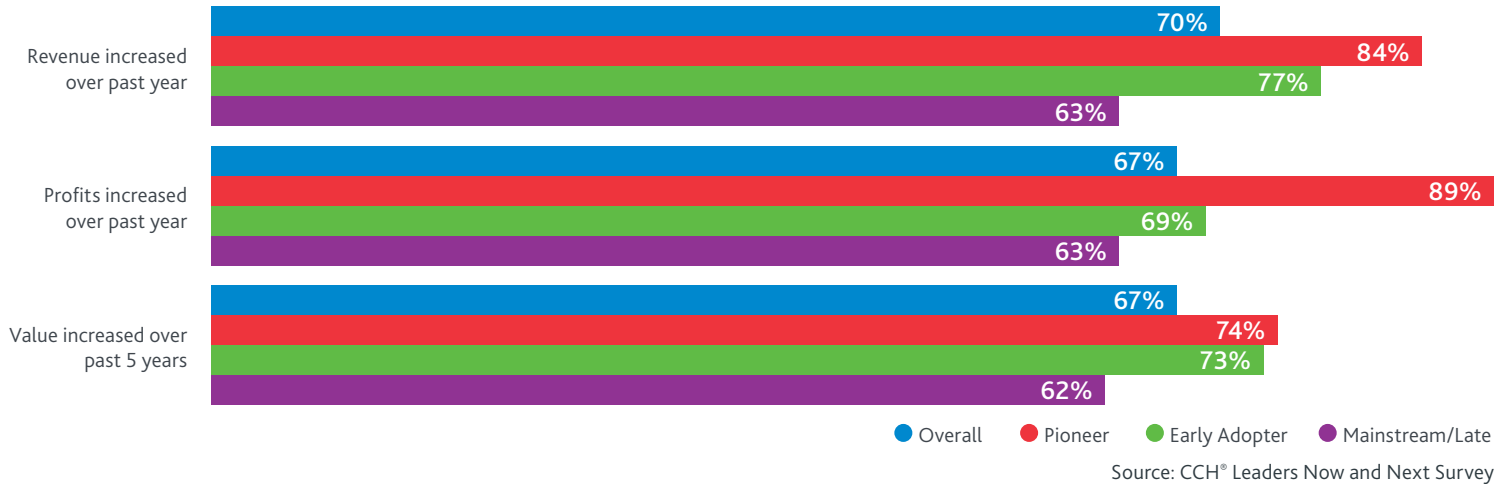
Remember, "technology" adoption is not just about computers and software. We love this definition of technology, found on Business Dictionary.com: "The purposeful application of information in the design, production and organization of human activities." Better organization of our "activities" is application of technology at its purest.



Pioneer Firms See Multiple Business Benefits

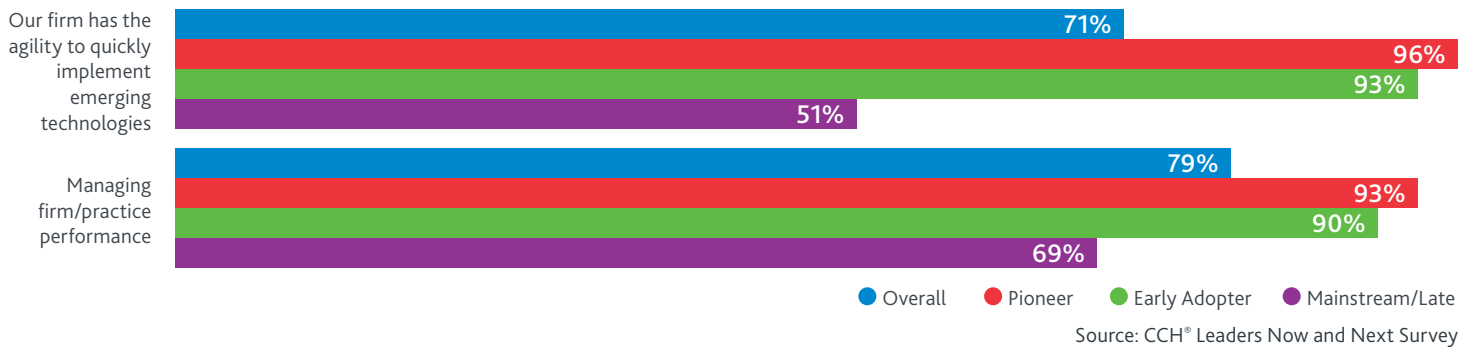
Across key financial metrics related to growing, managing and protecting their businesses, Pioneer firms excel. When we looked at whether or not revenues increased over the last year, we found that 84% of firms that identified as Pioneers reported increased revenues, while only 63% of late adopters reported revenue growth. The same held true for profits, with 89% of Pioneer firms reporting increased profits in the last year, compared to just 63% of Late Adopters.

Finally, when it came to delivering value to clients, 74% of Pioneer firms reported delivering increased value compared to the prior year, while only 62% of Late Adopters reported similar improvements.



Pioneer firms also do an excellent job of quickly implementing new technologies and managing firm performance. For example, 96% of Pioneer firms say that they have the agility to quickly implement emerging technologies, compared to 51% of Late Adopters. Likewise, 93% of Pioneer firms report proactive management of firm/practice performance, compared to 69% of Late Adopters.

The message is clear: Firms that embrace new ideas and processes the quickest tend to reap a variety of rewards, such as increased revenues, increased profits, delivering higher value, and having the agility to implement technology and procedures that will bring efficiencies which benefit the firm and clients alike.



2013: The Year Online Billing Went Mainstream

While online and real-time billing has been a growing trend for some time, 2013 marked the year in which it finally became the norm. According to Roman Kepczyk, CPA, CITP and Director of Consulting for Xcentric, author of the 2013 AAA Paperless Benchmark study, if you're not billing on screen and paperless, you are behind the mainstream and risk being left behind.

Online billing is gaining increased prominence among firms looking for ways to improve efficiency. When you think about it, what other business or profession lets the customer walk out the door with a product or service without paying for it? Some other professional

service firms have a similar issue and you can bet that all of them are looking for ways to bill more consistently and effectively.

The reality is that if you are not billing on screen, in real time, the profitability of your business suffers. Online and real-time billing is not just about saving time. It's about improving cash flow by billing as soon as the work is completed. It may take you a bit longer to get the necessary processes in place, and you may need to tweak your billing system, but more than just improving efficiency, online, real-time billing has a clear and positive effect on cash flow.

More Excuses...

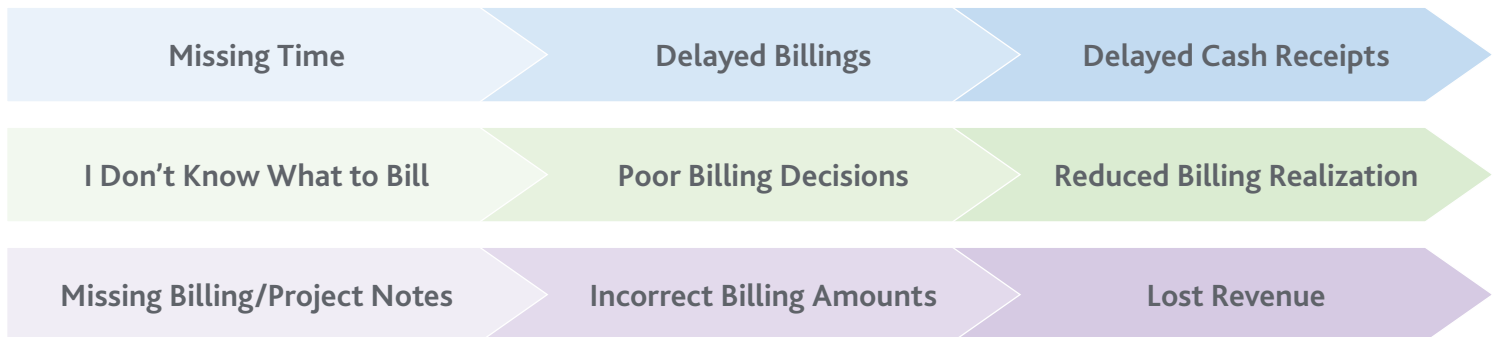
One pushback we occasionally receive from clients is that they say their clients do not want to receive multiple invoices in a given month. When we've talked with organizations, however, many client companies have said that they actually appreciate the breakdown that individual billing provides. We recommend asking your clients what they prefer. Many times, they simply aren't aware of the alternatives to traditional monthly billing.

Similarly, it's not uncommon to hear billing talked about as a non-value-adding process. The reality is that billing is how we all get paid, which makes it very valuable indeed.

For most firms, time — or lack of it — becomes the most common excuse for why they can't move to online, real-time billing. People

can't get their billable hours in on time and firms are so busy doing the work that they don't have time to bill.

Unfortunately, it doesn't end there. Missing time creates further problems down the line, including delayed billing, which leads to delayed cash receipts for the firm. If you don't know what to bill, you make poor billing decisions, which leads to reduced billing realization. Missing billing or project notes mean you bill incorrect amounts, which translates into lost revenue. Everything is connected! We believe the emergence of value billing will decrease the reliance on time as a method of billing decision-making; rather, time will become an employee measurement and teaching tool, as well as a resource planning tool.



How Do We Get There?

So how do we get to the world where online and real-time billing is standard fare at your firm? It's a journey, and surprisingly, it's not all about the software. Moving to online, real-time billing includes process development and enforcement. If you have a billing policy and there's no weight behind it, you are going to have a hard time getting adoption within your firm.

The following are some tips for making online and real-time billing a reality at your firm:

Commit to implementing a paperless billing process, document the process and conduct training.

Take baby steps, if necessary. Just make the commitment. If you don't know where to start, contact your software vendor and they will help you map out the process.

Once you've decided to migrate to paperless billing, one of the first things you need is stronger time and billing policies. Policies are the backbone of any successful paperless billing system. Time entry enforcement and WIP/Carry Thresholds are important. Make sure your staff is posting their time all day, every day.

In addition, training can help you better leverage the software you have at your disposal. It all comes down to change management. A shift needs to occur, in which billing is recognized as an integral part.

Select metrics to monitor progress.

As with any successful process, there needs to be metrics, measurement and feedback for process control. You have to have something to measure. Figure out what you want to track to, get your baselines and start tracking to them. Suggested metrics include:

- Realization
- WIP Aging
- A/R Aging
- Cash Flow

One of the best examples we've seen to date is a firm treasurer who switched from reviewing every bill, to monitoring the process based on metrics. Not only do bills get out the door faster, but the new monitoring process, based on metrics, ensures that everything is proceeding according to the policies.

As Marc Rosenberg, a nationally known consultant, author and speaker on CPA firm management, strategy and partner issues said, "Without benchmarking, firms inevitably lead a provincial existence, blissfully unaware of what reality is."

Set client expectations.

Engagement letters are one very simple and concrete way to set client expectations. If you're not setting expectations with your clients, you are going to be hard-pressed to get the necessary billing processes implemented. An engagement letter is a natural and effective way to do that.

Create a culture of learning to groom future leaders.

Pioneering firms have a culture of learning that begins the first day people start on the job. They are taught technology, process and management skills through an ongoing learning and development program. Do you teach new staff how to bill early? These skills are necessary to groom emerging leaders and expose them to billing policy and expectations early on.

Keeping and retaining staff is important for firms of all sizes. At Wolters Kluwer, CCH, we've begun a new program, in which we talk with people who have been designated emerging leaders in their

firms. The goal? Find out what makes them tick, what's important to them and how firms can cultivate the next generation of industry leaders. One of our findings is that emerging leaders are looking for firms that are forward thinking concerning technology and work/life balance. Some firms are better than others at embracing emerging leaders and nurturing them. These firms will see significant rewards down the line.

Consider value/flat fee billing.

We are living in an era in which a shift is occurring. Soon, time will no longer be the most important tool for billing. We're seeing more firms using big data or business intelligence to benchmark their work and charge flat fees for specific services. Admittedly, this makes some firms uncomfortable, but it is an emerging trend and it's not going away. It's going to take time to get there, but Wolters Kluwer, CCH is in the process of building out features to enable firms to take advantage of this development.

Conclusion: What's In It for You?

When we talk to firms about moving to a new billing process, they often ask, "What's in it for me?" You should see improved realization at the client level. In addition, you should see decreased WIP Aging, since the longer a project sits in WIP, the more difficult it is to bill for it. Your A/R Aging should smooth out as well, and your cash flow should experience fewer peaks and valleys. Finally, you should see a marked improvement in your averaged realized billing rate. If you bill with a project fresh in your mind, you typically bill more accurately, being better able to recall and validate all of your additional value-added services.

The reality is that firms that monitor the trends and get out in front of the ones that matter will experience multiple benefits in the long run. On-screen, real-time billing is one of those important trends. Give it a shot and reap the financial rewards.

For More Information
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