

2022

Practice Excellence Report

Analyzing the business abilities of
accounting firms across the globe



2022 PRACTICE EXCELLENCE REPORT

Analyzing the business abilities of accounting firms

The data in this report is based on a unique survey conducted by Karbon. Respondents included 426 accounting firms from 6 continents, with the majority from the United States, Canada, United Kingdom and Australia.

Practice Size:

- Solo (1 staff member): 9%
- Small (2–5 staff): 27%
- Small Boutique (6–10 staff): 31%
- Large Boutique (11–25 staff): 23%
- Regional (26–50 staff): 7%
- Medium (51–100 staff): 2%
- Larger (100–199 staff): 1%
- Top 100 (200+ staff): 2%

Practice Age:

- Less than 1 year: 4%
- 1–2 years: 6%
- 2–5 years: 20%
- 6–10 years: 20%
- 10+ years: 50%

Region:

- Australia: 23%
- Canada: 10%
- Europe: 3%
- New Zealand: 4%
- United Kingdom: 8%
- United States: 46%
- Other: 6%

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Practice Excellence explained

Every accounting firm is different. Different markets, different teams, different maturity. But everyone in the profession faces similar core challenges. What sets successful practices apart is how they approach these challenges, the tools they use to enact change, and the structures and systems they have in place.

This is why Practice Excellence focuses on four key areas pivotal to running a successful accounting firm: Strategy, Management, Efficiency, and Growth. These areas form the Four Pillars of Practice Excellence.

12 Competencies have been identified that influence a firm's proficiency in these four Pillars. Excelling in each of these Competencies—and their overarching Pillars—is how a firm will achieve a higher level of Practice Excellence.



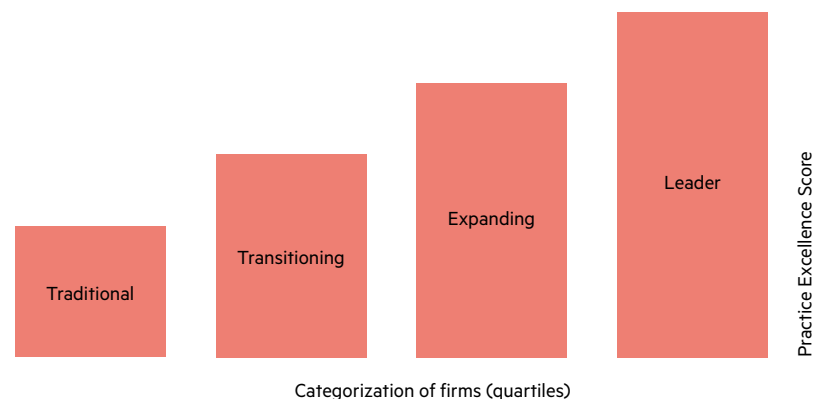
Practice Excellence is calculated based on a quantitative, cross-sectional study. A 20-minute online survey asking wide-ranging questions evaluates a firm's proficiency in each of these areas. A score is then provided for each of the 12 Competencies and aggregated to determine the scores for the 4 Pillars—highlighting where a firm's specific strengths and weaknesses lie.

Ultimately, these scores are aggregated to determine a firm's singular Practice Excellence Score. This score shows a firm's overall business capability, and can be used to compare accounting firms globally.

To contextualize the results, four distinct groups are identified based on the data of all participating firms, and broken into even quartiles:

- Traditional (bottom 25%)
- Transitioning (25–50%)
- Expanding (50–75%)
- Leader (top 25%)

Any firm that participates in the Practice Excellence Assessment can be categorized in one of these four levels of expertise.



How Practice Excellence is measured

- 20-minute online survey
- 35 questions
- 4 sections: Demographics, Operations, Usage, Confidence
- Question types are a mix of multiple-choice, numeric scale and multi-select

**Take the free Practice Excellence
Assessment now**

START

Key insights

- 1 Rising to the challenge:** External factors can be catalysts for progress. Accounting firms have risen to the challenges presented by the COVID-19 pandemic, and new ways of working have had a positive impact on Practice Excellence. In particular, firms have become more competent in Talent Management, Innovation, Sales, and Technology.
- 2 Process matters:** In the past two years, firms have shifted their focus away from the Business Processes competency. But, to continue moving forward, processes cannot take a back seat. Aim for continuous process improvement, especially as your firm grows and matures.
- 3 Systems thinking:** The very best accounting firms are strong across the board. To achieve a high level of Practice Excellence, your firm must take a balanced approach, weighting each aspect of business proficiency equally.
- 4 Drivers of change:** Firms looking to improve their Practice Excellence scores should evaluate and increase their focus on Efficiency and Management, as these are the key drivers of improvement. But keep in mind a systems-thinking approach to avoid falling behind in other areas.
- 5 Growing pains:** As firms grow in size, their focus shifts from Efficiency to Management and Growth. Continued expansion, however, can lead to bumps in the road as firms approach and surpass the 50-staff milestone. Be prepared for new challenges and increased competition as your firm grows.
- 6 Make it or break it:** Firms in the 2-5 year and 10+ year tenures experience challenges that are unique to their size and maturity. Learn to anticipate and develop a plan for navigating these critical points in your firm's life cycle—your response will determine whether you make it or break it.
- 7 Innovation is key:** Continual innovation and flexibility are key to sustaining growth and improvement over time. You must constantly refine, improve, and reinvent your business strategies. Otherwise, your firm's growth may eventually taper off.
- 8 Investing in the right activities:** The activities with the greatest positive impact on Practice Excellence are used by very few firms. To get ahead, implement new management techniques, reporting metrics, and growth activities that will enable you to better-track productivity and profitability.
- 9 The Laggard-Leader gap:** To truly excel, firms must balance expertise and behavior. Leading firms have a more balanced focus across the key areas of Practice Excellence and leverage a broader range of tools and activities, including workflow management, Business Intelligence, defining and engaging ideal target markets, and staff development.

What does Practice Excellence look like in 2022?

To date, more than 1,000 accounting firms across the globe have taken the Practice Excellence Assessment. This report focuses on the firms that have taken the assessment since [the preceding 2020 Practice Excellence report](#) was published.

A unique feature of the Practice Excellence dataset is that it is longitudinal, spanning multiple years. This means that we can track changes in business proficiency over time and understand how key events have impacted how firms operate.

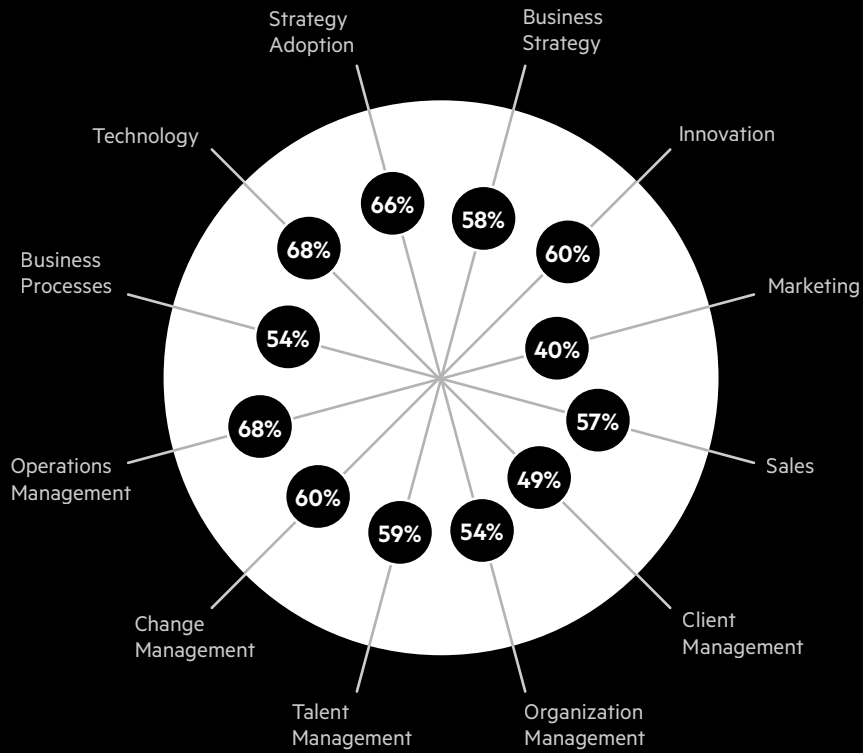
For example, we can compare Practice Excellence scores before and after 2020 to understand how the COVID-19 pandemic has changed the accounting industry, which firms have been impacted the most, and what contributes to a firm's resilience in the face of crisis.

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We live in a time of change, and so if you're not moving forward, then you're going backwards. And it's not change for change's sake—it's all about targeted growth in areas that are constructively challenging, provide efficient processes and great value for your clients, and cultivate happy teams.

Lauren Harvey, Full Stop Accounts

AVERAGE PROFICIENCY ACROSS FIRM COMPETENCIES



AVERAGE PROFICIENCY ACROSS PRACTICE EXCELLENCE PILLARS



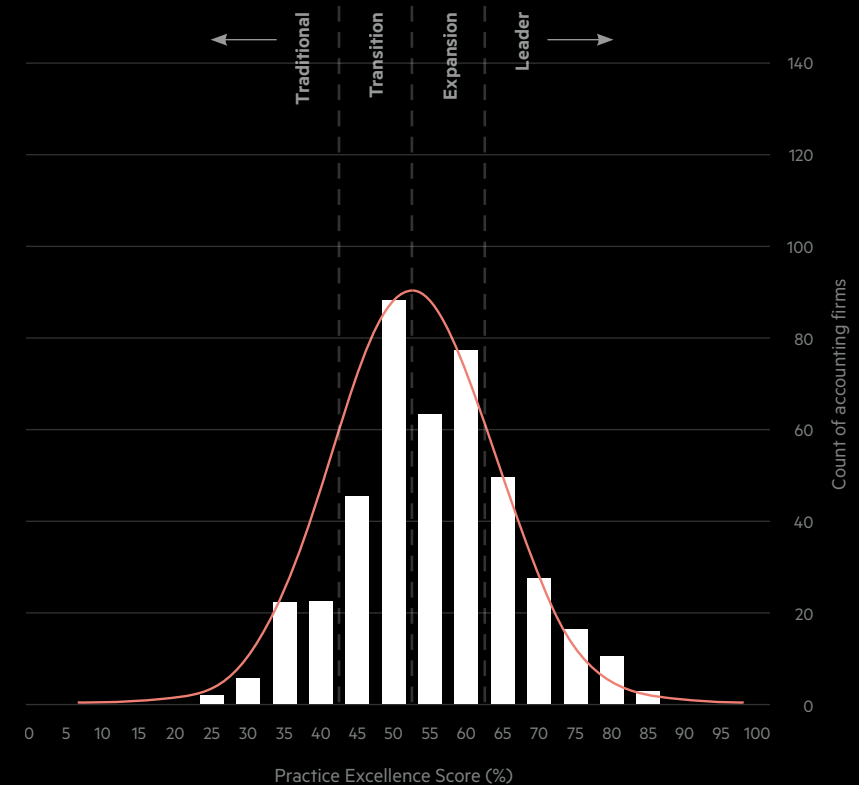
What does it take to achieve Practice Excellence?

Each accounting firm can be classified into one of four quartiles based on its Practice Excellence score. Firms with below-average scores are Traditional or Transitioning, while firms with above-average scores are Expanding or Leaders. This classification allows firms to see where they stand relative to other firms globally, and highlights the areas that they should focus on to increase their Practice Excellence score. In general, many solo or small firms fall into the lower quartiles, whereas larger firms sit in the higher quartiles.

There is a strong relationship between a firm's scores for each Practice Excellence Pillar. This means that if a firm scores highly in one Pillar, they also tend to score highly across the other three Pillars. Conversely, if a firm is weak in one Pillar, they are weak across the other Pillars as well.

The very best accounting firms—the ones putting the ‘excellent’ in Practice Excellence—are at the top of their game across all four Pillars.

PRACTICE EXCELLENCE BREAKDOWN



Analyzing the distribution of Practice Excellence scores shows that many firms have scores that are close to, or slightly higher than, average in 2022. Looking at proficiency scores for each Practice Excellence Pillar reveals what characterizes firms in each quartile, and importantly, what defines the gap between firms in lower and higher quartiles.

Quartiles	Efficiency	Strategy	Growth	Management
Traditional 0–25%	41%	43%	35%	35%
Transitioning 26–50%	53%	48%	42%	47%
Expansion 51–75%	62%	53%	48%	53%
Leader 76–100%	71%	57%	58%	67%
Change from Q1 to Q2	30%	11%	21%	32%
Change from Q2 to Q3	17%	9%	14%	13%
Change from Q3 to Q4	15%	8%	20%	26%

While firms in the bottom Traditional quartile put their greatest focus on Strategy, firms in the other three quartiles emphasize Efficiency. Across each of the four Practice Excellence Pillars, proficiency scores increase as firms move up the quartiles.

However, the degree of improvement differs between Pillars and quartiles. Overall, the largest improvements are seen in the change from Traditional to Transitioning quartiles for all four Pillars, indicating that there is a large gap between the lowest-performing firms and everyone else—much larger than the gap between firms in any other quartile.

The smallest changes from quartile-to-quartile are seen for the Strategy Pillar, suggesting that Strategy is foundational to a firm’s practice, but it is not a key driver of improvement in Practice Excellence. In contrast, there are substantial increases in scores for the other three Pillars, highlighting their importance in a firm’s continual growth and improvement. Changes appear to be driven primarily by increases in Efficiency and Management, while Growth is a peripheral focus for lower-scoring firms and becomes more important as firms become more capable.

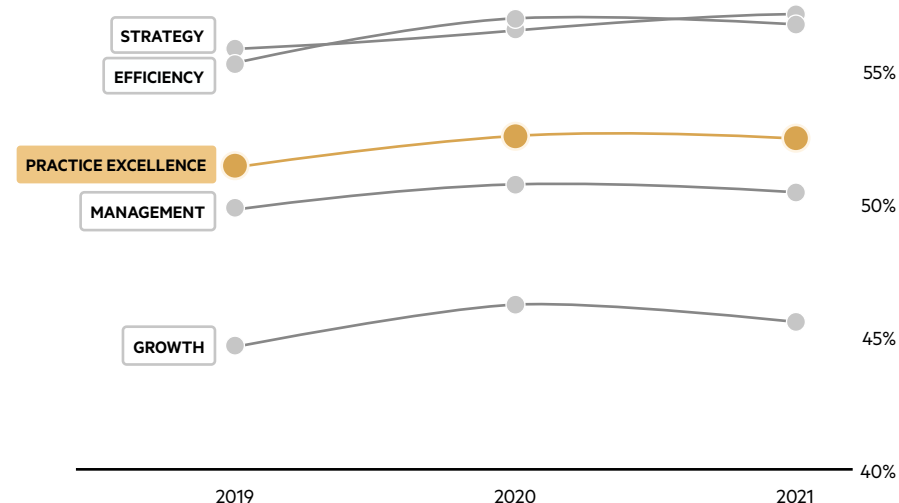
An increased focus on Management has the greatest effect on Practice Excellence at the lowest and highest quartiles—helping to shift firms out of the bottom Traditional quartile and into the Transitioning quartile, and from the Expanding quartile to the top Leader quartile. This underscores the importance of strong leadership and management in a firm’s ability to successfully navigate change at key milestones in its lifecycle.

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Being a true impact-driven firm means focusing on more than profitability. We believe that leading firms not only focus on changing clients' lives, but also the staff that make it all happen.

Ana Lukac, New Wave Accounting & Business Advisory

PRACTICE EXCELLENCE ACROSS YEARS



Changing capabilities over time

Comparing Practice Excellence scores across years reveals both consistencies and changes across time. Firms have remained similarly strong in Efficiency and Strategy and weakest in Growth, while Management sits somewhere in the middle.

Since 2019, firms have generally become more capable, with overall increases in all four Pillars. But this increase across years is not linear: scores increased from 2019 to 2020, and then decreased slightly for all Pillars except Efficiency in 2021. These decreases are small enough that they do not cancel out the improvements from the previous year. As a result, Practice Excellence scores have remained relatively stable in 2020 and 2021.

These year-on-year trends are likely due to the early impact of the global pandemic at the beginning of 2020. Firms needed to adapt quickly by introducing new ways to work. Many used this moment to strengthen their leadership and management, devise new strategies, and introduce new tools to ensure a successful transition to remote or hybrid work. These changes may have had an initially positive impact on Practice Excellence, which then plateaued and stabilized once firms fully adjusted.

Analyzing changes since 2020 for each of the 12 Competencies reveals a nuanced picture, with variable changes in competencies across the board. Notable improvements were made in Talent Management, Innovation, and Sales, followed by Technology. In contrast, there were decreases in Business Processes, with Marketing continuing as the weakest point for many firms.

The increased focus on Talent Management directly reflects a resounding response to the [Great Resignation](#) as firm leaders implement [strategies to attract and retain top talent](#). Focus on Innovation and Sales may reflect the unique position accounting firms found themselves in at the beginning of the pandemic—an [increase in business](#) while most of the world clamped tight. And as the world changed, seemingly overnight, the focus on Technology highlights the shift to remote work, with firms needing the right mix of [tools to keep their remote teams functioning](#).

As firms refocused their efforts in response to these challenges, they may have had less time to focus on other competencies such as Business Processes and Marketing.

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The main characteristic that distinguishes leading accounting firms is a willingness and desire to communicate with their clients on a regular basis about things other than what keeps them compliant. Business owners aren't accountants, so it's our job as their advisors to enable them to make the best decisions for their business.

Alan Woods, Woods Squared

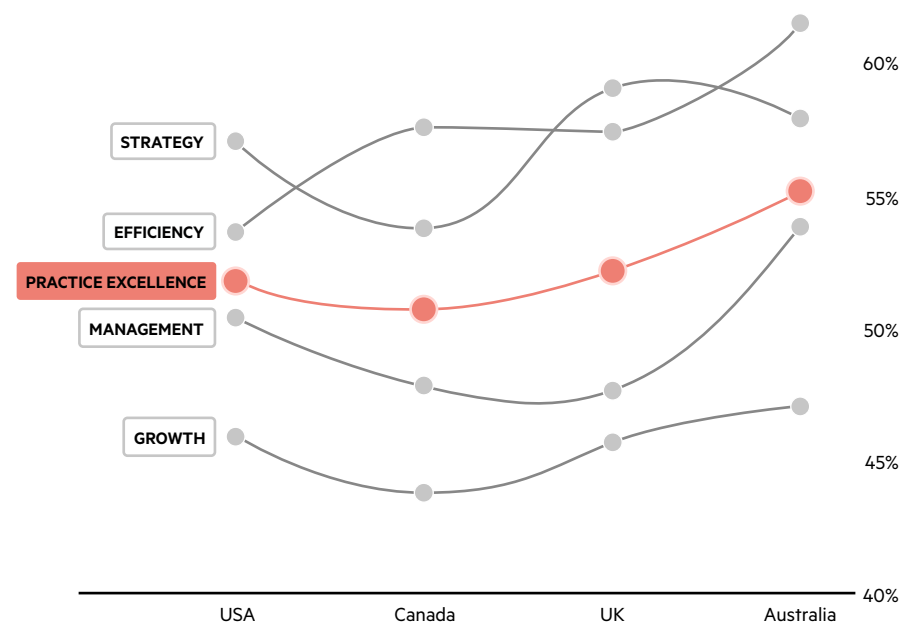
Proficiency across segments

How do location, firm size, and business tenure impact a firm's Practice Excellence score? Breaking down the dataset into these segments provides valuable insight into where the top firms are located, and what strengths and challenges firms can expect as they grow and mature.

Location matters

Of the four major regions that make up the Practice Excellence dataset, Australian firms clearly lead the way. In particular, Australian firms outperform others in Efficiency, Management, and Growth. The remaining Pillar, Strategy, is where UK firms excel above other regions, perhaps to enable them to work in the larger context of Europe.

PRACTICE EXCELLENCE PER REGION



US and Canadian firms have similar Practice Excellence scores, but looking at scores for each of the Pillars reveals key differences between these two regions. US firms place a greater emphasis on Strategy, while Canadian firms focus more on Efficiency.

These different focuses may reflect the different regional complexities and competitive pressures. While Canadian and Australian firms require high levels of Efficiency to support cross-border trade and service entities, US firms may focus on Strategy due to the greater local competitive pressures they face.

Examining changes in Practice Excellence scores since 2020 reinforces these trends. Each region's strengths and weaknesses have remained stable. For example, Strategy remains the key focus for US and UK firms, as does Efficiency for Canadian and Australian firms. Australian firms have remained at the top, and have experienced large and consistent increases in proficiency across all four Pillars since 2020. In contrast, firms in other regions have experienced decreases—most notably, in Management for UK firms and in Growth, Management, and Strategy for Canadian firms.

Why have Australian firms remained at the top—and improved the most—since 2020? In addition to the greater entrepreneurial and tech-focused environment, simpler tax compliance processes, and generally younger demographic of accountants and accounting leaders in that region, [Australia generally fared better](#) during the pandemic due to lower case numbers and early interventions to reduce spread, compared with other regions.

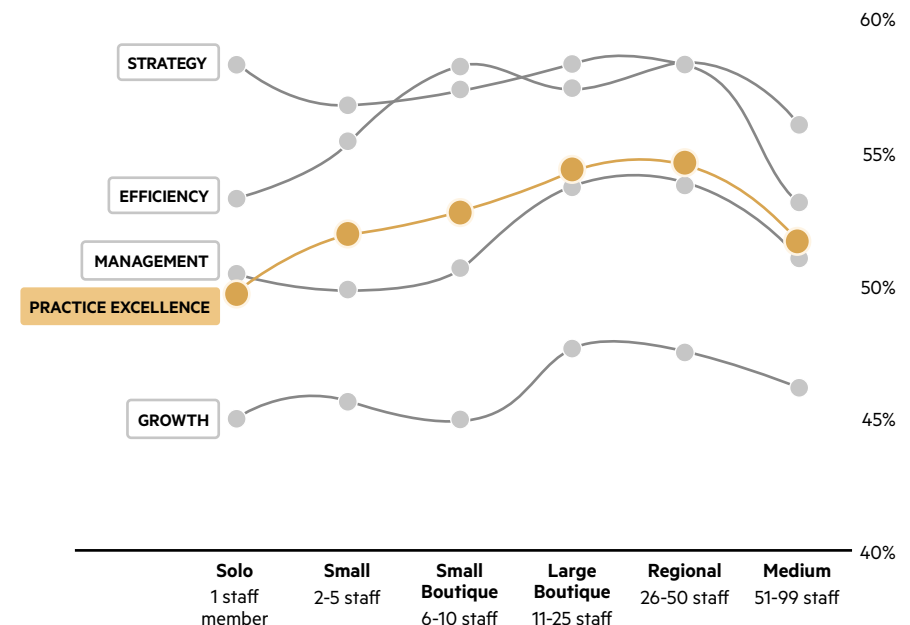
Bigger is not always better

As firms grow, they experience improvements in Practice Excellence. Looking at changes across the four Pillars reveals where firms allocate their focus as they grow.

A focus on Strategy is foundational, with proficiency scores remaining relatively stable as firm size increases. For firms with 1-10 staff members—sole practitioners, small, and small boutique firms—improvements in Practice Excellence are driven by increased focus on Efficiency, as they navigate the best ways of managing work, information and clients across several people.

There is a noticeable increase in Growth and Management for large

PRACTICE EXCELLENCE PER FIRM SIZE SEGMENT



boutique firms with 11-25 staff, suggesting a shift in focus towards these Pillars is the key that drives them forward. With continued expansion, however, Practice Excellence declines for medium firms with 51-99 staff. In particular, these firms experience large drops in Strategy and Management, which drive their decline in overall Practice Excellence.

A potential explanation for the decline in Practice Excellence for medium-sized firms is the unique challenges they may have faced as a result of the pandemic. [Implementing organizational change and overcoming barriers to innovation](#), such as what's required to transition to remote work, is difficult for firms of all sizes.

But this is likely to be especially difficult for medium firms, due to their increasingly hierarchical structure, number of staff, and the strategic coordination required to navigate change. They are also likely to rely on collaboration between and within teams in their practice, meaning they would have needed to introduce new methods of virtual collaboration.

In contrast, staff at smaller firms may be more likely to work independently and manage their own tasks, making for a smoother transition to remote or hybrid work.

While the patterns remain similar and Practice Excellence scores have improved since 2020 for firms with less than 50 staff members, proficiency scores have decreased across all four Pillars for medium firms.

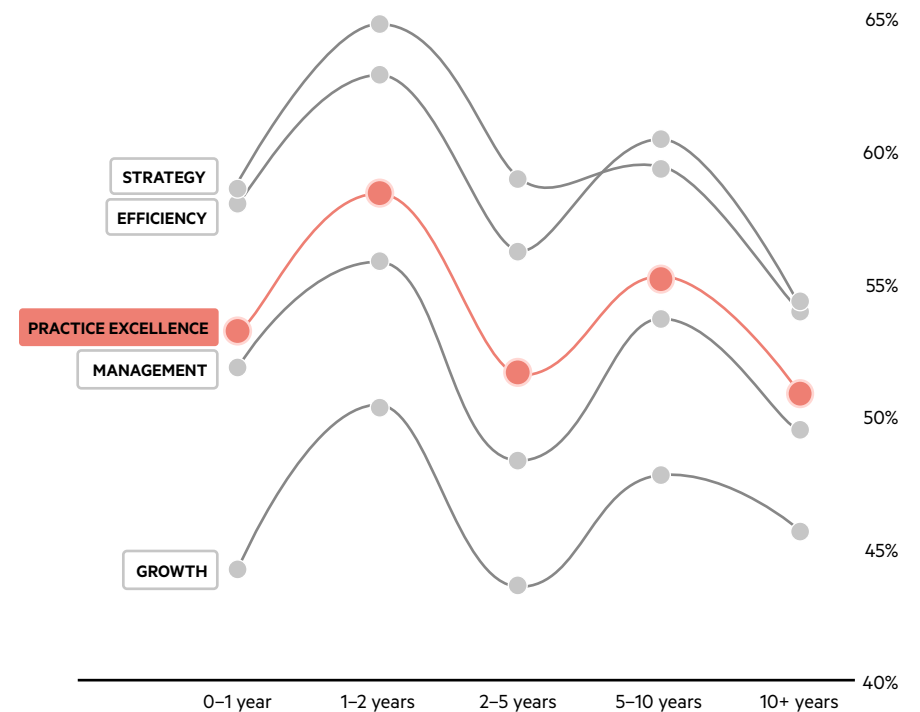
Bigger is not always better—sustaining high levels of Practice Excellence depends on how nimbly a firm can cope in response to change.

The ‘make it or break it’ point

A firm’s tenure—how long it has operated—also directly impacts its Practice Excellence score. And the pandemic looks to have played a role in some part.

Since 2020, firms younger than two years old have outperformed older ones. These are the firms that started at the beginning of, or during, the pandemic. As a result, they are unlikely to have experienced the same challenges, such as a sudden shift to remote work, that older firms experienced. Instead, these younger firms have established suitable remote or hybrid work practices from the get-go.

PRACTICE EXCELLENCE PER BUSINESS TENURE



For firms in the 2-5 year tenure, Practice Excellence has suffered, with sharp declines in scores across the board. These declines may be somewhat unsurprising, given that the five-year mark is often described as the ‘make it or break it’ point in an accounting firm’s life cycle. This, compounded by additional pressures brought on by the pandemic, may have led to large drops in business proficiency. To survive this critical point, firms must continuously innovate, improve, and evolve.

The decline in Practice Excellence for firms in the 2-5 year tenure is followed by a period of recovery as firms reach the 5-10 year mark, with substantial improvements in Efficiency, Management, and Growth.

However, tenure alone does not protect against declines in Practice Excellence. Improvements in Practice Excellence scores are not maintained for firms that have operated for 10+ years. These long-standing firms may have struggled over the past two years because what worked for them in the past—the practices that helped drive their maturity—may no longer work in the present. For these firms, continued growth means [overcoming their resistance to change](#) and [breaking out of their well-established habits](#).

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A growth mindset starts with the firm leaders. If management listens to their team, then their team will be encouraged to seek new opportunities for increased efficiencies, and put up less resistance to change. A top-down approach is not sustainable—including everyone in the decision making process always yields better results.

Scott Scarano, Padgett Business Services

Firm effectiveness: turning inputs into outputs

A firm's Practice Excellence score measures its overall knowledge and capabilities—its inputs. But knowledge alone is not enough. Firms must also leverage their proficiency so that Practice Excellence is reflected in their output—revenue per employee.

The journey to the top

As firms grow, so does their output—average revenue per employee—with two notable exceptions. The first exception is seen for small firms with 2-5 staff, with a substantial drop in

revenue compared with sole practitioners. Firms will experience a raft of new challenges that come with making the transition from sole practitioner to multiple staff members.

These growth challenges include:

- attracting the right talent
- developing and implementing the right processes
- managing a growing team (and using it to its full potential)
- making sure that client relationships are prioritized during the growth transition
- dilution of average client fees from more junior staff members

Responding to these challenges, which may have been amplified by the pandemic, means that a firm's inputs (its Practice Excellence score) may not necessarily produce large outputs.

A second, smaller decrease in average revenue per employee occurs for medium firms with 51-99 staff. This decrease in revenue may be related to the overall decrease in Practice Excellence scores for firms of this size—as their capabilities have reduced, so, too, has their revenue. Again, this is another manifestation of the challenges associated with firms reaching the 50-staff mark.



Highs and lows of a firm's life cycle

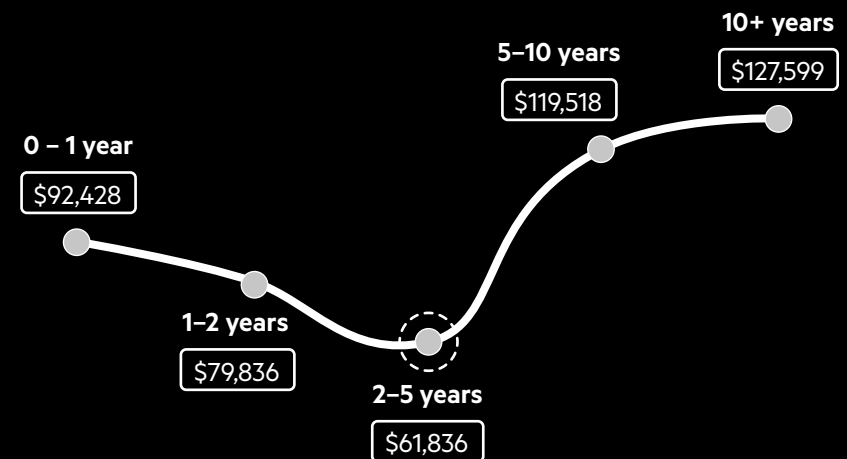
The length of a firm's existence also impacts its outputs. Firms experience a steady decline in revenue per employee as they approach the five-year mark. This is likely due to the growing pains that firms experience as they mature over their first few years, such as hiring new staff, acquiring new clients, and implementing systems, technology and processes to support their growth.

Average revenue per employee reaches its minimum for firms in the 2-5 year tenure, mirroring the decline in Practice Excellence scores for these firms and reinforcing the five-year mark as the most critical point in a firm's life cycle.

After the five-year mark, firms recover significantly, with a large increase in average revenue per employee for firms in the 5-10 year tenure. This is followed by a smaller increase for firms that have been in existence for more than 10 years. These improvements highlight the increased capacity that firms enjoy as they mature.

But long-standing firms cannot get complacent. If they do, their growth may eventually taper off. Instead, firm owners must be innovative and front-footed to ensure continued growth and increased revenue over time.

AVERAGE REVENUE PER EMPLOYEE BY BUSINESS TENURE



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A 10-year plan is not something you create once and never touch again; it's something you revisit again and again.

Silvia L Chestnut Evans, Palm Beach Accounting & Financial Services

From knowledge to behavior: what really matters

The Practice Excellence Assessment tracks specific initiatives that an accounting firm invests in. This identifies the most common activities used by firms, and which activities contribute the most to a firm's overall Practice Excellence score.

Overall, firms use Technology Tools the most, and Reporting Metrics and Management Techniques the least. The over-focus on Technology, relative to other initiatives, may be a product of the pandemic, as firms had to rely on technology to get work done.

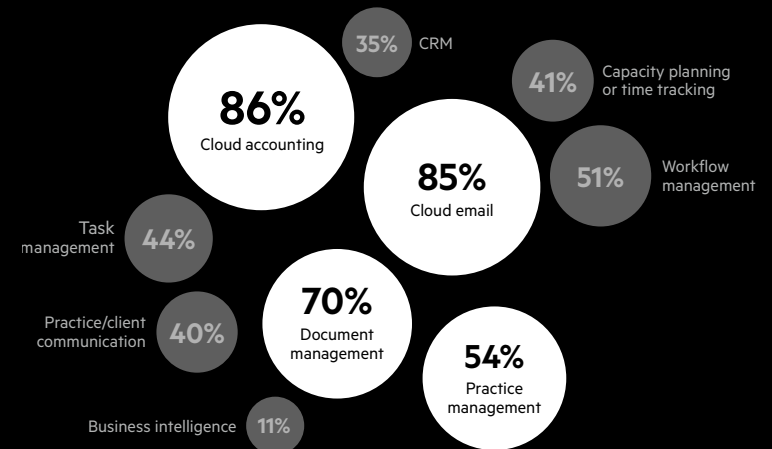
However, not all activities have an equal impact on Practice Excellence. In fact, regression analysis, which quantifies the effect of different activities on Practice Excellence, reveals that Technology Tools actually have relatively little impact on Practice Excellence.

Instead, the top ten activities with the strongest impact on Practice Excellence scores—the ones that predict a higher score—are:

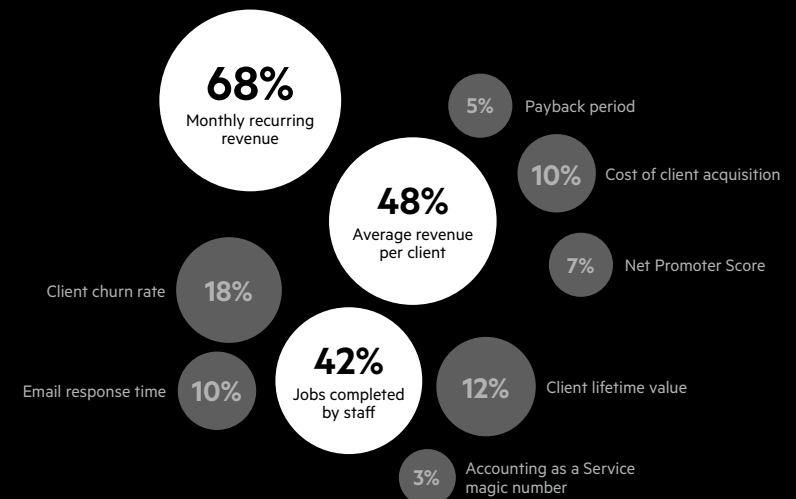
1. Objectives and Key Results (OKRs)
2. Monthly Recurring Revenue (MRR)
3. Target market selection (niche)
4. Client Lifetime Value (LTV)
5. 360 performance evaluations
6. Net Promoter Score (NPS)
7. Ideal client profile (persona)
8. Emotional IQ test
9. Standardized staff onboarding
10. Email response time

Five of the top ten activities are Management Techniques, three are

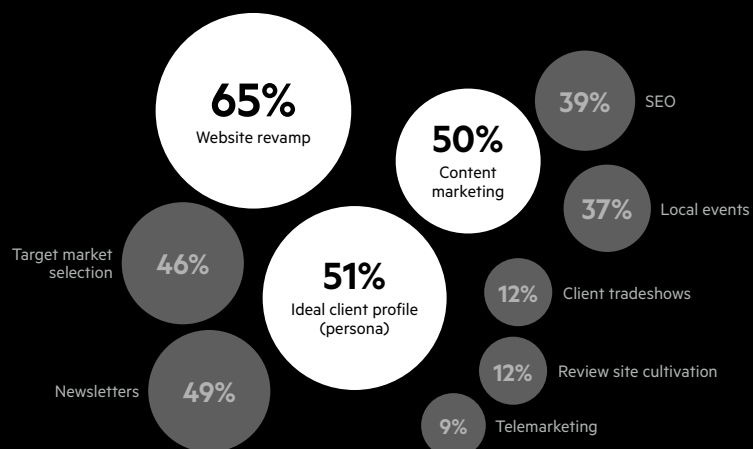
MOST COMMON TECHNOLOGY SOLUTIONS USED



MOST COMMON REPORTING METRICS TRACKED



MOST COMMON GROWTH INITIATIVES EMPLOYED

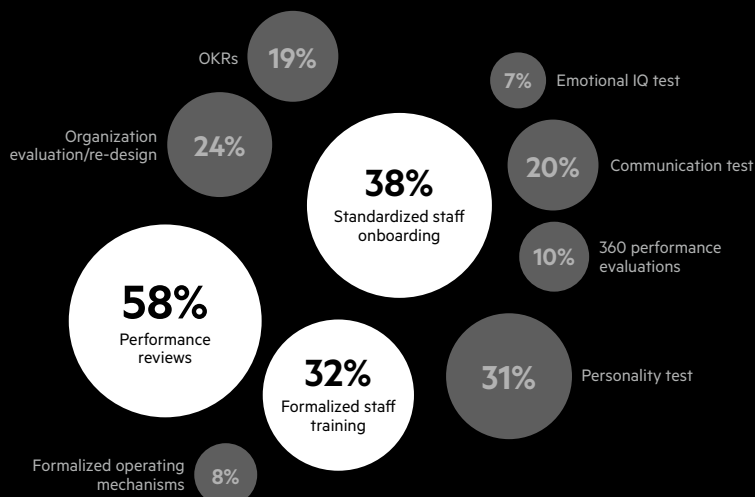


Reporting Metrics, and the remaining two are Growth Activities.

Comparing this list with actual usage behavior indicates that even though these activities have the best impact on a firm's Practice Excellence score, they are not widely used. For example, only 19% of firms reported using OKRs. Looking further down the list, the next-best five activities all fall into Management Techniques and Reporting Metrics. This underscores the importance of these initiatives for firms looking to achieve a higher level of Practice Excellence.

The findings from the regression analysis provide guidance on the specific actions that you can take to improve your firm's business proficiency: start by implementing the top ten activities that impact Practice Excellence.

MOST COMMON MANAGEMENT TECHNIQUES USED



The relationship between a firm's inputs and outputs

While looking at Practice Excellence scores and revenue per employee separately provides insight into a firm's inputs and outputs, analyzing the relationship between these two measures presents a more holistic view of a firm's overall performance.

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Innovation is essential to remain competitive. We frequently reevaluate our tech stack, review new-to-market software products, and improve our knowledge of the products we already use to ensure that we're working as efficiently as possible.

Silvia L Chestnut Evans, Palm Beach
Accounting & Financial Services LLC

The Karbon Magic Quadrant

The Karbon Magic Quadrant indexes each participating firm since 2020 based on their Practice Excellence score and their revenue per employee. Each firm can be classified into one of four quadrants, which are defined based on values for the average firm:

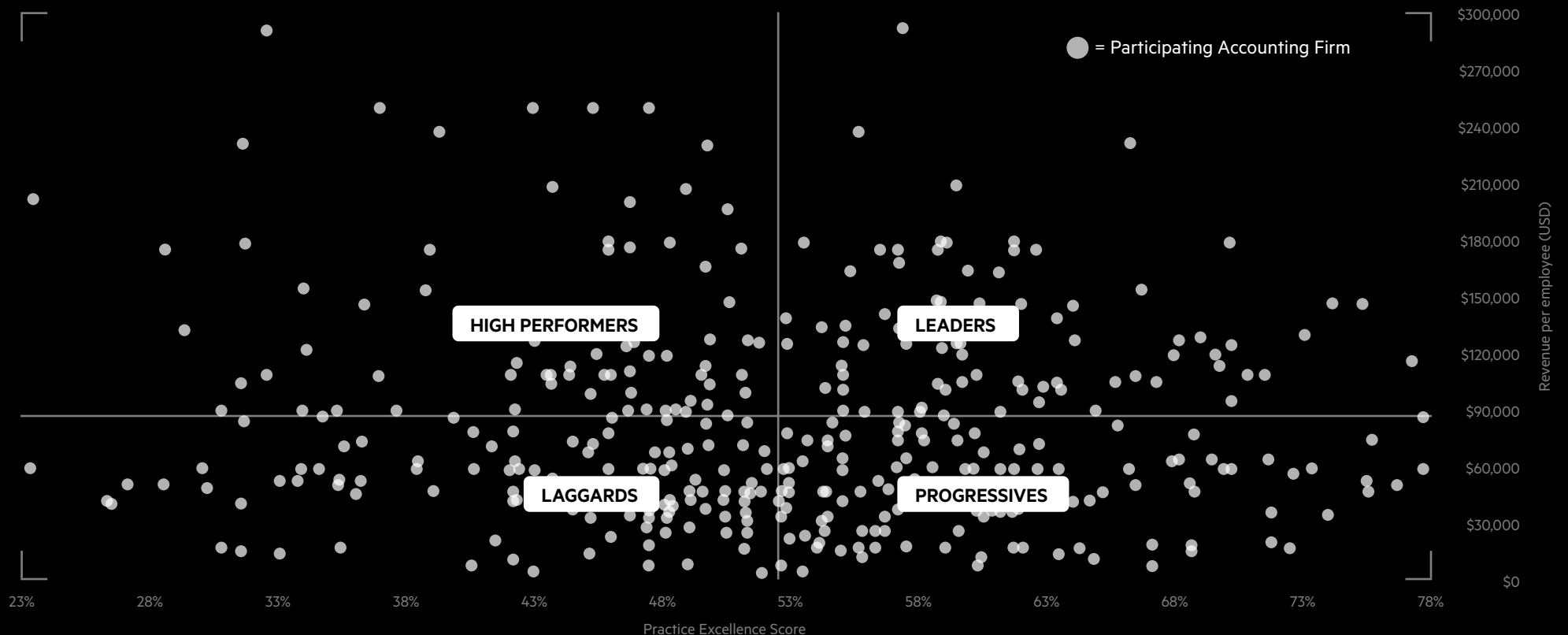
Laggards: Firms with below-average Practice Excellence scores and revenue per employee.

These firms aren't investing in their team, and aren't extracting above-average outputs from their staff.

Progressives: Firms with above-average Practice Excellence scores and below-average revenue per employee. These firms have gained business knowledge and have invested in their team, but are still achieving below-average results. They have shifted their mindset but are yet to unlock the full benefits of their efforts.

High-performers: Firms with below-average Practice Excellence scores and above-average revenue per employee. These firms have proven they know how to maximize each and every resource, but they lack business expertise.

Leaders: Firms with above-average Practice Excellence scores and revenue per employee. These firms have leveraged their business expertise and maximized their resources to produce high outputs. For these firms, the sky is the limit.



Firms wanting to cement themselves as Leaders in the accounting industry must focus on increasing their business expertise and putting that into practice as they grow and mature. A heavy focus on one or the other isn't insufficient.

The Karbon Magic Quadrant is useful for identifying where your own accounting firm sits in relation to others that have taken the Practice Excellence assessment. However, due to the variabilities that exist, such as firm size, maturity, and location, firms with above-average Practice Excellence scores do not necessarily always have above-average revenue per employee.

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Firms looking to increase efficiency and excellence must constantly look for better solutions. There is always a better way to do things. Your firm's tools are investments. They may not improve your profitability in the short term, but they will definitely help you to grow and scale in the medium-to long-term.

Ana Lukac, New Wave Accounting
& Business Advisory

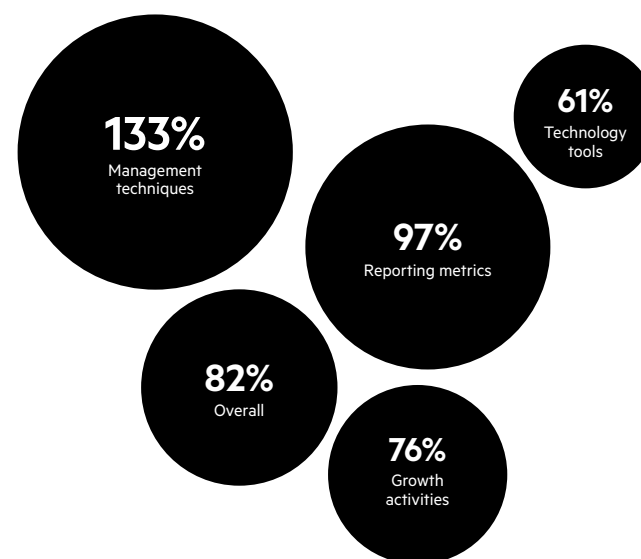
What separates the Laggards from the Leaders?

A useful feature of the Karbon Magic Quadrant is its ability to separate firms based on their combination of inputs and outputs, enabling comparisons between the firms at the very bottom and those at the very top.

Gaps in competency

Firms in the Leader quadrant are stronger than firms in the Laggard quadrant across all 12 Firm Competencies. The largest gap is in Marketing, where Leader firms are 66% stronger than Laggard firms. Next is Organizational Management (62% stronger) and Talent Management (56% stronger).

PERCENTAGE CHANGE IN USAGE BEHAVIOR FROM LAGGARD TO LEADER



Leader firms are more competent across the board, especially in activities that contribute to their growth and the overall success of their organization and staff.

This is reflected not only in business expertise, but also in behavior. Examining the tools that firms use in their daily practice reveals large gaps in usage behavior between Laggards and Leaders: Overall, Leaders are 82% stronger when it comes to leveraging the tools that enable their growth and success.

Breaking down usage behavior further shows that the largest gap is in management techniques, with Leader firms scoring 133% better than Laggard firms. Unsurprisingly, the best firms are those that excel in management.

What are the Leader firms spending their time on?

Drilling down into the specific activities that a firm engages in, there are key differences between Laggards and Leaders. In general, firms at the top use more technology and reporting metrics, and leverage a broader range of growth activities and management techniques. There are specific activities, however, that stand out from the rest:

- Firms in the Leader quadrant use workflow, Client Relationship Management (CRM), and Business Intelligence (BI) tools much more than firms in the Laggard quadrant. Specifically, Leader firms use workflow and CRM tools 120-130% more, and BI tools 238% more than Laggard firms.
- Leader firms take advantage of a broader range of reporting metrics that help them track their profitability and productivity. In particular, there is a greater than 300-fold difference between Leaders and Laggards in their use of Cost of Client Acquisition (CAC) and Client Lifetime Value (LTV), and a greater than 200-fold difference in their use of Net Promoter Score (NPS).
- Firms in the Leader quadrant invest in more growth activities. They are 80% more likely to engage in activities that help them to better identify their target market and ideal client profile, and to leverage targeted marketing activities, such as Search Engine Optimization (SEO) and review site cultivation.
- Leader firms excel at management techniques, ranging from the use of personality tests such as StrengthFinders to implementing formalized operating mechanisms and Objectives and Key Results (OKRs). Stark differences are seen in the use of 360 performance evaluations, OKRs, and formalized operating mechanisms, with Leader firms using these at least 500% more than Laggards.

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Firms looking to achieve higher levels of Practice Excellence should get involved in communities of like-minded accounting firms. We all win when we're working together and sharing our experiences and ideas. Nothing ever really grows inside of a vacuum.

Scott Scarano, Padgett Business Services

Bridging the Leader—Laggard gap

Leader firms have greater business expertise and engage in a wider range of activities that help to promote their growth and success. The largest differences between the top and bottom firms are in the usage of tools that directly feed into the productivity and profitability of a firm.

Tools such as workflow management and Business Intelligence, coupled with CAC and LTV (amongst other [reporting metrics](#)), enable firms to effectively monitor outputs, quickly identify bottlenecks, and make appropriate adjustments as efficiently as possible. Activities that identify, define, and engage their target markets are likely to increase expertise and revenue, allowing them to hone in on and address specific pain points that resonate with their target market.

Using a broad range of management techniques—particularly those that help align staff with the firm's overall mission and objectives (e.g. OKRs)—means that Leader firms are confident their staff are well-supported, and feel invested in the firm and its wider goals.

It's important to note that these are observations of patterns in the Practice Excellence data. The patterns are useful for characterizing differences between the bottom and the top firms, but simply engaging in one specific activity is unlikely to guarantee success. The impact that a particular activity has on a firm's performance will depend on how well that firm can execute that activity, as well as various other factors such as firm size and region.

Leader firms *know* and *do* more—and they're doing it well, because this is reflected in their revenue per employee. To follow in the footsteps of firms that are leaders in the accounting industry, implementing some of the activities that set them apart is a good starting point that may help to bridge the Laggard–Leader gap.

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The key characteristic that distinguishes leading accounting firms is a future-oriented vision. They are technology-forward and willing to adapt to changing conditions, while keeping the customer focus front and center.

Silvia L Chestnut Evans, Palm Beach Accounting & Financial Services

The road to Practice Excellence

A high level of Practice Excellence isn't only reflective of a firm's ability to run like a well-oiled machine. It's how it responds to challenges, adapts to trends, and adopts the right solutions and techniques to ensure it thrives.

In particular, the firms achieving high results are those that understand the power of data and alignment. They're using this data to measure and track performance, predict trends and changes, find their ideal customers, and align their team.

This behavior will help your firm weather the next inevitable storm. Better yet, if done right, it will do more than weather it—it will leverage the opportunity to grow and strengthen.

If you want your accounting firm to succeed today, and 50 years from now, you must invest time and effort into the critical areas outlined in this report.

Even if you have previously done so, [take the free Practice Excellence Assessment](#) today to understand your firm's current business proficiency score. Use it to compare your firm to hundreds around the world. Even more importantly, find out your strengths and weaknesses so that you can invest in the areas that are out of balance, capitalize on what you already excel at, and accelerate toward a more efficient, profitable and enjoyable future.

Survey Considerations

Selection bias: Respondents are within the broader view of Karbon, which may skew results as these firms are typically more progressive. However, data included in this report were taken from the last two years, and this more recent data appears generally representative of the wider accounting industry.

Impact of COVID-19: The past two years have presented unique and new challenges to accounting firms globally. These challenges may have impacted Practice Excellence scores.

Results: The survey questions and calculation are not a perfect science, and could impact results. However, a pre-test was conducted to ensure the best opportunity to gain insights.

Analysis: All data provided was collected, calculated and included in this report. The analysis is based on our best understanding and assumptions (including from expert opinion). Other reasons/rationale may also exist.



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