



2020 Practice Excellence Report

Analyzing the business abilities of
accounting firms across the globe

karbonhq.com

2020 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 700+ 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): 25%
- Small Boutique (6–10 Staff): 25%
- Large Boutique (11–25 Staff): 26%
- Regional (26–50 Staff): 10%
- Medium (51–100 Staff): 3%
- Larger (100+ Staff): 1%
- Top 100 (200+ Staff): 1%

Practice Age:

- 0–1 Year: 5%
- 1–2 Years: 8%
- 2–5 Years: 15%
- 6–10 Years: 18%
- 10+ Years: 54%

Region:

- Australia: 25%
- Canada: 8%
- Europe: 2%
- New Zealand: 3%
- United Kingdom: 11%
- United States: 26%
- Other: 4%

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Why Practice Excellence Matters In 2020

When the world around you changes dramatically, how does your accounting firm react?

Are you forced to scramble, work even longer hours, or lay staff off in order to keep the lights on? Or can you quickly adapt, expand your services, help more clients, and ultimately turn a crisis into an opportunity?

If 2020 has taught us anything, it is to expect the unexpected. And each accounting firm across the globe is quickly learning the answer to the above question.

What determines how an accounting firm will react? Why are certain firms so vulnerable, while others seem in total control?

The answer has nothing to do with accounting. It all comes down to business expertise.

Despite their innumerable differences, accounting firms are all inherently businesses. The most common challenges they face and how easily they can be overcome relate to their leader's ability to think strategically, manage staff, design efficient processes, and grow. All attributes that rely on business proficiency.

As we've unfortunately seen in 2020 already, there is a stark variation between firm owners and their abilities to overcome challenges.

The Karbon Practice Excellence Assessment qualifies and quantifies the critical business abilities of an accounting firm. It is the only assessment of its kind in the accounting industry. And it is the best way to assess what position an accounting firm is in to respond to the types of challenges that have been presented in 2020.

Practice Excellence identifies the specific areas a firm excels at, what it needs to work on, and how it is performing on average against other firms. It equips firm owners with personalized information and an action plan to better focus efforts and improve.

700 accounting firms from around the world have taken part in the Practice Excellence assessment to date. Revealed in this report are the business strengths and weaknesses of these 700 firms—broken down by geography, size, business tenure, and more.

With this analysis, you can compare your own firm with those similar around the world, improve your shortcomings, and ensure your firm can always turn a crisis into an opportunity.

Key Insights

- 1 Systems thinking:** While single actions help, a balanced approach is required to improve your accounting firm. The focus can be on one specific area at first, but this must balance out eventually, because no aspect of business proficiency is truly more important than the other.
- 2 Growing pains:** As your firm grows, expect new challenges to emerge. Firms with 4-12 employees, 18-25 employees, and 35-50 employees all contend with challenges that are unique to their size and maturity.
- 3 Innovate or else:** To survive growing pains, you must always be learning, innovating, and developing new strategies. This is because the strategies that allow a firm to grow rarely have the same effect once they get to that level.
- 4 The Practice Excellence gap:** A gap separates above-average firms from the rest. Most firms can reach a certain level of Practice Excellence without investing too many resources, but to cross the gap and accelerate, they need to dedicate more time and effort, and commit to it.

- 5 Drivers of change:** To progress, different drivers will have a larger impact depending on your firm's maturity and size. But this must be balanced by systems thinking. The margin of focus can only be so big, as there is no shortcut to success.
- 6 Location matters:** External factors in your region will impact what your firm focuses on. Australian and Canadian firms place a much larger focus on Efficiency, while UK and US firms focus more on Strategy.
- 7 Seek expert help:** Sales and marketing is a constant struggle for most firms. If you want to progress in an area such as this, but you do not have the expertise, consider specialized assistance to help move your firm forward.
- 8 Implement technology now:** As a firm grows larger and older, challenges take considerable time to rectify. Most challenges can be foreseen and solved through technology and efficient processes. The sooner technology is implemented, the sooner results will be seen.
- 9 Never set and forget:** Business processes are a strong area for young and small firms but take a backseat as they grow. After neglect, challenges emerge. Remember this as you mature and aim for continuous process improvement.
- 10 Big-impact but under-utilized initiatives.** Some activities have a positive impact on Practice Excellence but are implemented by very few. Workflow software, performance metrics and formalized staff training are some initiatives only being utilized by top performing firms.

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 4 Pillars. Excelling in each of these Competencies—and their overarching Pillars—is how a firm will achieve a higher level of Practice Excellence.



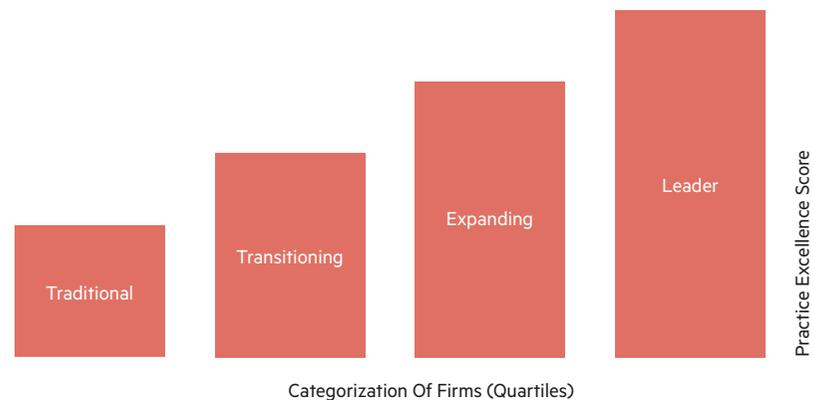
From a quantitative, cross-sectional study: a 20-minute online survey asking wide-ranging questions, a Practice Excellence Assessment evaluates a firm's proficiency in each of these areas. A score is then provided for each of the 12 Competencies and aggregated to determine the scores for the 4 Pillars—highlighting 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 make things even easier, four distinct groups are identified based on the data of all participating firms, and broken into even quartiles:

- Q1: Traditional (bottom 25%)
- Q2: Transitioning (25–50%)
- Q3: Expanding (50–75%)
- Q4: 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

The Practice Excellence Assessment is free:
karbonhq.com/get-scorecard

Take the free Practice Excellence Assessment now.

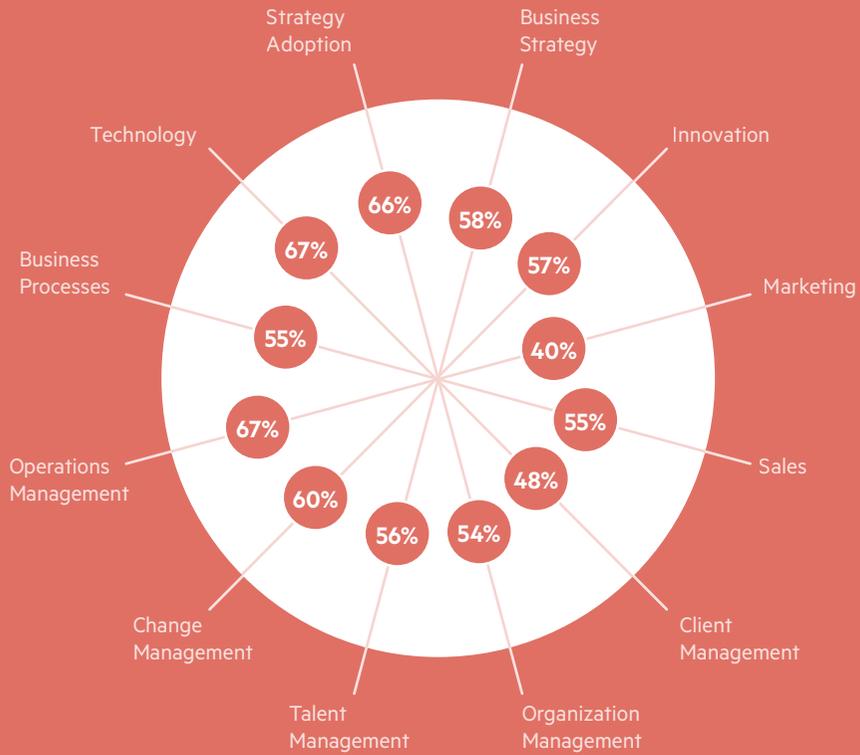
START

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Our goal was to determine a way to identify the relative strengths and opportunities for a firm so they could take actions to better themselves and improve the outcomes for the firm and their clients.”

Ian Vacin, Chief Customer Officer, Karbon

AVERAGE PROFICIENCY ACROSS FIRM COMPETENCIES



AVERAGE PROFICIENCY ACROSS PRACTICE EXCELLENCE PILLARS



What Does It Take To Excel?

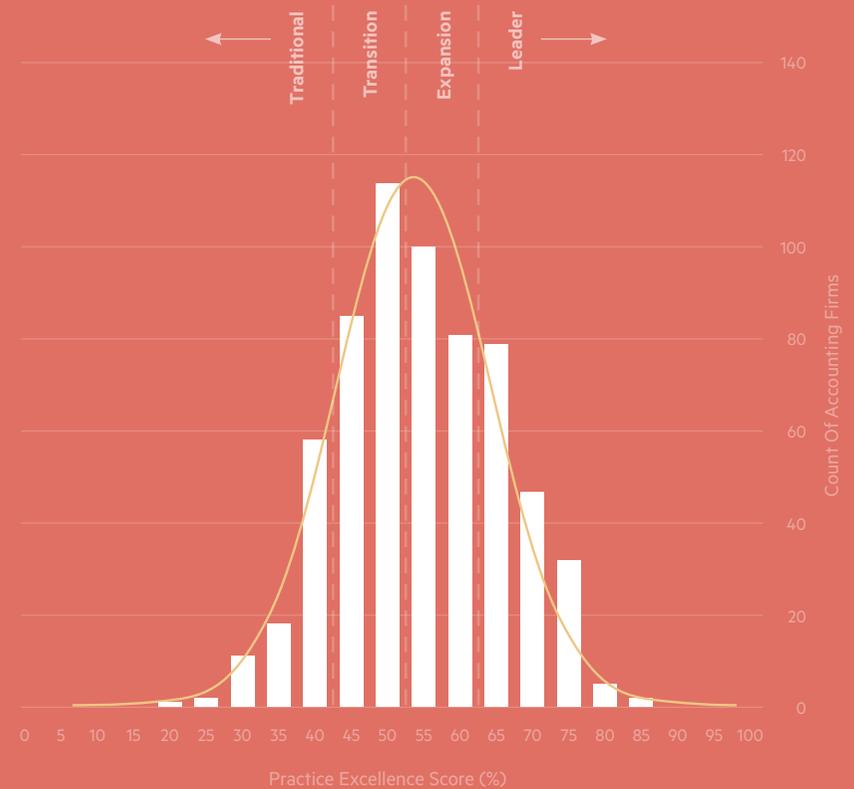
To date, more than 700 accounting firms across the globe have taken the Practice Excellence Assessment. Analyzing their results and data presents interesting findings, and helps to show what firms need to do to progress—and the risk of not investing in improvement.

The Class Gap In The Accounting Profession

Usually, when you map a large data set like this, you expect the data to present a normal distribution—something close to a symmetrical bell curve. However, this does not happen with the Practice Excellence Scores of participating firms. Instead, the results are shifted to the left, showing an off-weight normal distribution.

The steep rise towards the center of the chart shows many accounting firms are close to the average, but struggling to get over the ‘hump’ to the next step. More than anything, it highlights a gap between the haves and the have-nots.

PRACTICE EXCELLENCE BREAKDOWN



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Of course firms should celebrate their successes but cannot be lulled into complacency. A continuous improvement mindset ensures continued success.”

Amanda Wilkie, Boomer Consulting

The firms that received a lower than average Practice Excellence Score sit in the Traditional and Transitioning quartiles. Many solo and small firms, which make up a large quantity of the market, are included in this half. Their lower than average business capabilities could be attributed to a lack of time and resources, a resistance to change, or a lack of desire to invest in the firm itself.

Many of these firms have been able to reach a certain level of Practice Excellence without investing too many resources. But this will only take them so far. To cross this gap, they need to dedicate deliberate time and effort and commit to it. Those that do this are then able to accelerate.

This acceleration is represented by the flatter curve right of the center. The firms that get over the ‘hump’ find it easier to keep improving and progressing towards the Leader quadrant and an increasing Practice Excellence Score.

This pool consists of many Large Boutique and Medium-sized firms that generally have more resources at their disposal than smaller firms.

Drivers Of Change And Systems Thinking

Comparing average scores for each quartile, across the four Practice Excellence Pillars, shows what changes the most as a firm's overall Practice Excellence Score increases.

PRACTICE EXCELLENCE DRIVERS OF CHANGE

Quartiles	Efficiency	Strategy	Growth	Management
Traditional 0–25%	40%	43%	34%	33%
Transitioning 26–50%	51%	52%	40%	44%
Expansion 51–75%	61%	58%	47%	53%
Leader 76–100%	72%	69%	56%	67%
<i>Change From Q1 to Q2</i>	29%	21%	17%	33%
<i>Change From Q2 to Q3</i>	19%	12%	18%	20%
<i>Change From Q3 to Q4</i>	18%	19%	19%	26%

Firm owners put a significant focus on Strategy when they are underperforming. As well as having the highest score for those in the bottom Traditional quadrant, the Strategy Pillar also shows the lowest amount of change between the lowest and highest performing firms. This points to the fact that Strategy has inherent value for the underlying success of a firm, but is not deemed critically important over time. There are more effective areas you can focus on to improve and grow.

Management, on the other hand, is deemed the most important area to increase expertise in over time. Amongst the lowest overall performers, the Management Pillar has the lowest score. But as a firm increases its overall Practice Excellence Score, its Management score is more likely to consistently increase than any other Pillar. This shows that most acknowledge that leading and managing are

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The biggest challenge for traditional firms to start the journey to become leading firms is their own mindset. Transformational change is available to everyone.”

Jim Buffington, CPA, Advisory Services Leader, Intuit Accountants

critical components in the long term success of a firm, and their importance increases as a firm grows more successful.

Efficiency is one of the biggest levers, and firms progressing from Traditional to Transitioning put more focus on this area than any other stage.

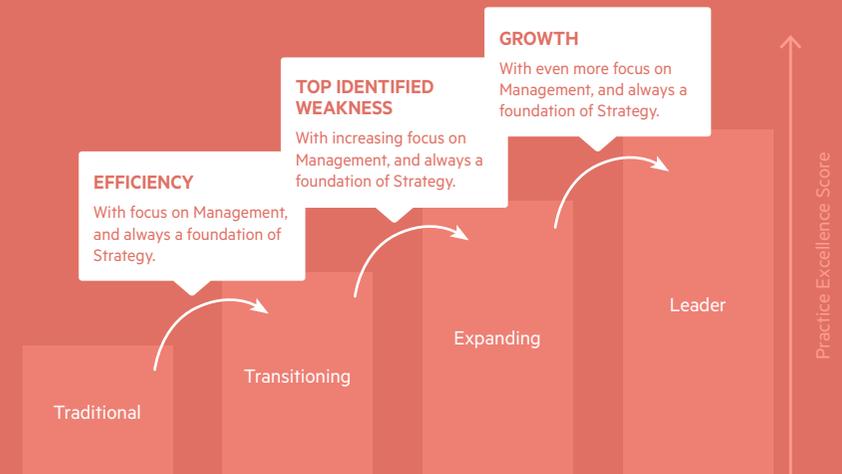
In all quadrants, firms average the lowest score for the Growth Pillar. While it doesn't increase much as the overall Practice Excellence Score increases, it does receive more attention as the firm becomes more capable.

Overall, firms never favor one area too much. None of these changes are significantly greater than the rest. This highlights the systems thinking approach that is occurring, and a need for balance and consistency.

Your firm should never focus on one single Competency, but rather on the mix that is optimal to move from one stage to another. While more resources can be invested in one specific area at first—like a technology strategy, for example—things should balance out over time.

Because no aspect of Practice Excellence is more important than the other, a holistic approach to the collective set of Competencies is needed.

PRACTICE EXCELLENCE TOP DRIVERS OF CHANGE



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A lot of firms might invest heavily in strategy at one point, and then go back to focus on something like efficiency. When you're growing you're making a decision to invest in one thing knowing you'll need to ramp up another thing at a later stage.”

Steph Hinds, Growthwise

Proficiency Across Segments

Are Canadian firms more strategic? Do larger firms excel at management? Will you become more efficient as your firm matures? Looking at the business proficiency based on segments such as location, size and tenure presents some interesting answers.

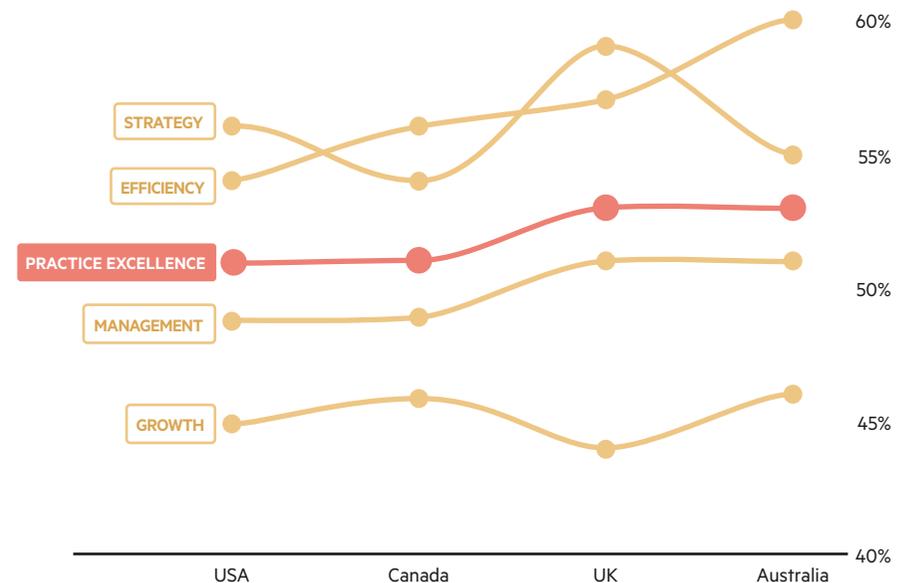
Location Matters

Australian and British accounting firms achieved very similar Practice Excellence scores, while Canadian and United States firms also achieved similar overall results to each other. These four regions are where the majority of participants to date are located.

Notable differences can be seen between each of these pairings, however, when looking at their scores for each of the Four Practice Excellence Pillars. Australian and Canadian firms place a much larger focus on Efficiency, while UK and US firms focus most on Strategy.

One hypothesis is that British firms are required to invest more in Strategy to enable them to work in the larger context of the European Union. While a focus on efficiency is more important for Australian and Canadian firms to allow them to plan around the banking, compliance, and international trade complexities that are particularly applicable in their regions.

PRACTICE EXCELLENCE PER REGION



PRACTICE EXCELLENCE PER FIRM SIZE SEGMENT



Growing Pains

As firms expand towards 100 staff, they generally improve their Practice Excellence score. There is also an argument to be made that the time it will take to grow from 1 to 100 staff will be reduced when a firm has a higher level of business proficiency.

This can be seen across all four Pillars: Strategy, Growth, Efficiency and Management. The larger a firm is, the more likely they are to perform well in these areas.

There is one noticeable exception to this trend, however. Regional practices—firms with 26-50 staff—score lower than smaller Boutique firms in almost all Pillars.

The likely reason for this is the new challenges presented to firms when they reach 26-50 staff. At this size, a firm will often have multiple partners, be spread across different locations, and require an organization structure that is different from what they used when they were smaller. Their teams are less capable because they have to work outside reporting boundaries, coordination is more difficult, and culture is beginning to evolve. It is likely that these factors hurt their Practice Excellence Score.

Regional firms face the biggest decrease in Efficiency, while they actually manage to improve in Management. This points to an over-focus on Management as they attempt to move forward, which hurts their ability to maintain efficient processes. Perhaps, because their old system cannot support the new way that things have to work.

It is also noticeable that while Small Boutique firms with 6-10 staff do not show the same drop in their Practice Excellence Score—they do not improve much either. Generally in firms with less staff,

each person is able to bill, manage their own tasks, and wear many hats. As they grow, more time is required for non-billable activities such as managing, delegating, and meeting. This leaves less time to spend servicing clients and improving business capabilities.

These findings are even clearer when looking at the average Practice Excellence score based on a more granular number of employees. This highlights the unique team dynamics that can affect firms with 4-12 employees, 18-25 employees, and 35-50 employees.

These are all signs of growing pains that most firms face as they expand. New issues emerge relating to staff, management and processes—unique challenges they never had to face previously. The strategies that once worked for them, that actually *enabled* their growth, are unfortunately not the same strategies that will work for a firm of their size today.

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Strategy and planning is definitely one area where all firms can improve. In fact, this can be a key differentiator between firms that are scaling and growing, and those that remain stagnant. Taking the time to assess where you have been, where you are going as a firm, and how you plan to handle the future will set your firm apart and project you light-years ahead of your competitors.”

Jason Blumer, CPA, Thriveal CPA Network

Business Tenure

Analyzing the length of existence for accounting firms tells a similar story. On average, a firm's proficiency improves steadily until it has been in existence for 5-10 years. At this stage, it drops.

For firms in the 5-10 year tenure, Management and Strategy suffer the most of all four Pillars; dropping by 8%. This is likely due to similar growing pains that a firm will experience as it grows larger. Once again, the strategies that worked for a firm in the first few years of existence will no longer be relevant as it matures.

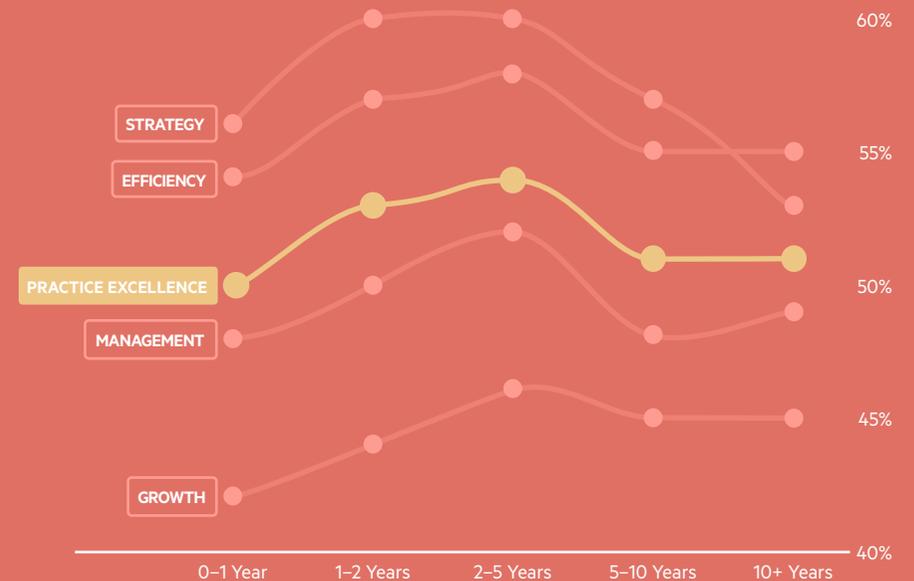
But after 10 or more years, firms recover, particularly in the area of Management and Efficiency. After this time, a business has generally figured out its value proposition and now staff can dedicate time to delivering this quicker and smarter.

Looking closer at specific Competencies shows how areas of expertise shift. For example, firms become weaker in technology and innovation as they mature. They also grow less proficient in the area of business processes until they have existed for 10 or more years. By then, most have been able to finetune how they work, and they experience a notable jump in expertise in this area.

Generally, whenever average scores in the four Pillars are analyzed across particular segments—whether it be business tenure, size, region, or something else—the scores show a close correlation to one another. If a firm scores higher in Strategy, the other three Pillars usually follow—but if Efficiency drops, so, too, do the others.

Once again, this shows the holistic approach firms are taking. When they grow, they decide where to invest their resources. As effort is applied and results emerge, they can then shift their focus generally to another aspect to continue to grow and improve.

PRACTICE EXCELLENCE PER BUSINESS TENURE



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Staying nimble in terms of technology adoption and innovation are critical for firms of all sizes, but seasoned firms must be especially mindful of this in order to combat the trend toward complacency or ‘just keeping up’, especially in today’s climate of change.”

Carla Caldwell, Caldwell Consulting & Training

“

Some firms implement new technology then expect to ride out its ROI for a few years. Technology changes so rapidly and, like processes, should be looked at through a lens of continuous improvement to ensure they are thoroughly leveraged.”

Amanda Wilkie, Boomer Consulting

Firm Effectiveness: The Most Critical Periods

A firm's Practice Excellence Score demonstrates their overall knowledge and capabilities—what they can put in—but that does not automatically mean that they are leveraging these inputs to their full extent.

To find out the degree to which firms are leveraging their proficiency, their output must be considered: revenue per employee.

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If the Practice Excellence Score measures the capabilities of a knowledge-based firm—their inputs—then their revenue and number of employees tell us how effective they are at leveraging those capabilities—their output.”

Ian Vacin, Chief Customer Officer, Karbon

Bumps In The Road To Growth

Charting firm revenue based on firm size presents a positive trend that is marred by two clear bumps in the road.

The first bump appears for Small Boutique firms—those with 6-10 staff. Firms who reach this size are often still learning, working out the best way to manage their team, and identifying the right technologies and processes. They are also faced with hiring challenges, often for the first time.

The average revenue per employee for these Small Boutique firms is quite a bit less than smaller firms and sole practitioners. Perhaps the core reason is that they are now hiring for resources that have more non-billable activities associated with them. They must shift from an enviable position where all staff can do everything, to a situation requiring more specialized resources—many that do not deliver chargeable services, such as a Business Development Manager.

The second drop in revenue per employee is even more significant, and appears for Medium-sized firms with 51-99 staff. This is likely a result of the new challenges they are experiencing as they become more hierarchical.

Usually, Medium firms do not have singular functional departments, so they cannot benefit from the same economies of scale that larger firms can. They have overlapping activities from partner to partner, more inefficiencies, and less capacity to serve the same number of clients per staff member that smaller firms can.



*Data from [Accounting Today's 2020 report on Top 100 Firms and Regional Leaders](#)

AVERAGE REVENUE PER EMPLOYEE BY BUSINESS TENURE



The Make Or Break Period In A Firm’s Lifecycle

Analyzing revenue per employee, but this time breaking it down based on the number of years a firm has existed, reveals another interesting insight. Once again, there is a positive trend in staff effectiveness as a firm matures, with two clear exceptions. A significant drop occurs during a firm’s second year and a less severe drop between their fifth and tenth years.

After a firm’s ‘honeymoon’ first year, perhaps where they benefited from previously known clients, a big drop in revenue/employee occurs. This is likely due to the challenge of acquiring new clients and/or the need to spread limited work and revenue around as the headcount expands. It highlights the pains that come with growing any new business, and the narrow wire that firm owners walk as they attempt to build a successful firm.

While firms in the 5-10 year period do not experience a drop in revenue/employee, they do not grow as quickly as they have previously (or will likely grow in the future). Many at this point in their lifecycle find that the strategies that worked so well for them previously are not the same strategies that will continue to progress them forward. This reinforces the need for firm owners to always be learning and re-inventing.

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Leadership is absolutely key throughout the lifecycle of any organization, and firm owners are no different. We must always be learning—and not just about the latest accounting trends, but also about leadership, strategy and management.”

Carla Caldwell, Caldwell Consulting & Training

The Relationship Between a Firm's Inputs and Outputs

Practice Excellence Scores for firms (their inputs) and their revenue per employee (outputs) show noticeable spikes and drops based on firm size and tenure. Comparing this input and output provides a quick understanding of where one firm stands in regards to both measures, and the relationship between the two.

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Although we keep growing and tripping over ourselves, we are excited by the new automation that is starting to emerge in our space. I believe this new horizon will help us reach new profitability levels, and firm owners will be able to make the choice about growing income with or without scaling a firm.”

Jody Padar, The Radical CPA

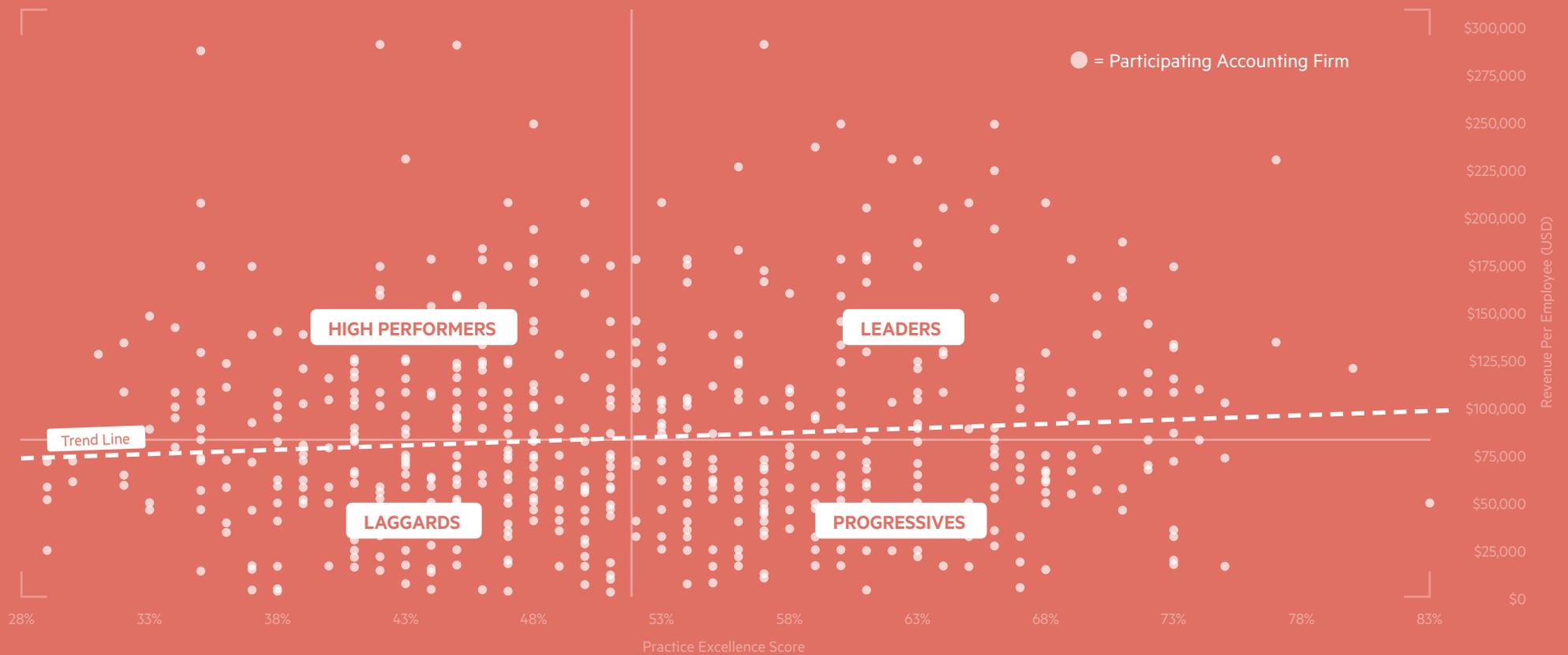
The Karbon Magic Quadrant

The Karbon Magic Quadrant indexes each participating firm based on their Practice Excellence Score and their revenue per employee.

This diagram is divided into four quadrants based on values for the average firm:

- **Laggards:** Firms that aren't investing in their team, or extracting above-average outputs from their staff.
- **Progressives:** Firms that have obtained 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.

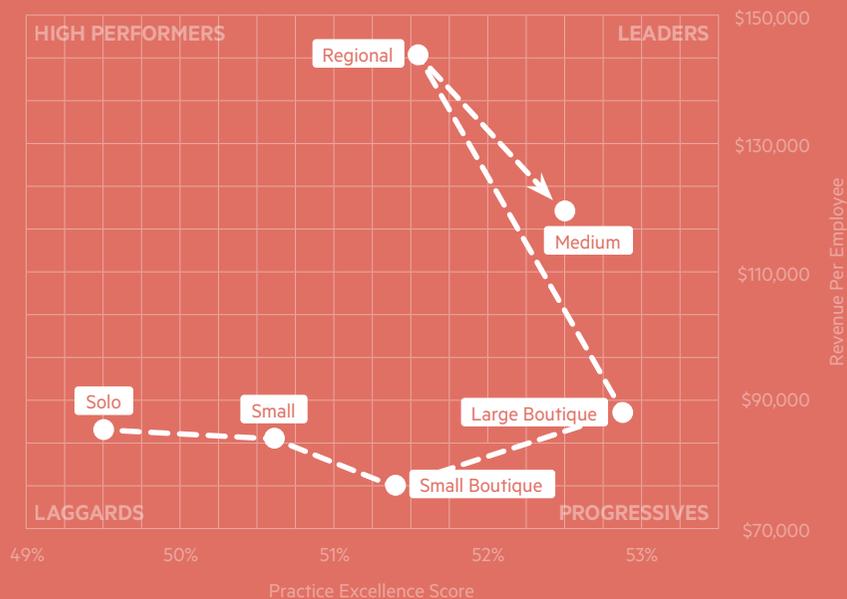
- **High-performers:** A lower than average firm in Practice Excellence ability that obtains higher than average revenue per employee. They have proven they know how to maximize each and every resource, but lack business expertise.
- **Leaders:** A higher than average firm in Practice Excellence ability and revenue per employee. For these firms, the sky is the limit.



An Accounting Firm's Journey to 100 Staff

The Karbon Magic Quadrant is most useful for showing you where your own accounting firm sits in relation to all others that have taken the Practice Excellence Assessment. But due to variabilities that exist, such as firm size, maturity, location, and other factors, drawing broader conclusions about the Karbon Magic Quadrant is a bit premature.

Comparing the average firm's input and output based on staff numbers, however, reveals a more interesting picture. The trend line shows positive movement overall, yet this movement is anything but a straight line.



Sole practitioners (1 staff member): With an average Practice Excellence Score of 49.5% and revenue/employee of \$85,879, sole practitioners sit in the Laggard quadrant. Working on their own, these accountants are stuck in the weeds. They are wearing many hats and strongly focused on delivering for their clients and finding new clients. Therefore, they are unable to provide the time to learn, develop, and grow.

Small (2-5 staff): Average Practice Excellence Score of 50.6% and revenue/employee of \$84,199. These firms have usually determined how to leverage a small team, technology, and ways of working together to be much more efficient for their size.

Small boutique (6-10 staff): Average Practice Excellence Score of 51.4% and revenue/employee of \$76,625. Growing to this size is when a firm needs to manage the fundamental dynamics of teams for the first time. An understanding of managing and delegating is required, with which many owners—who often started much smaller—can struggle with. They get bogged down, face a drop in efficiency, and can struggle to let go of things they have always done themselves.

Large boutique (11-25 staff): Average Practice Excellence Score of 52.9% and revenue/employee of \$88,474. Firm owners who have the management and strategy proficiency can quickly grow their firm to this size. Good systems and processes are usually always in place within firms who have reached this size.

Regional (26-50 staff): Average Practice Excellence Score of 53.6% and revenue/employee of \$144,475. These firms usually have multiple-partners and are based across multiple offices. They are seizing the opportunity of their growth potential and still have the opportunity to get more done with the clients they still individually

manage. Typically more autonomy exists, which allows for more productivity. Because they are able to drive more revenue from each employee, Practice Excellence takes a back seat.

Medium (51-100 staff): Average Practice Excellence Score of 52.5% and revenue/employee of \$119,922. As firms grow to 100 staff, staff generally do not perform at the same effectiveness as they may have when they were smaller. There is a concerted effort to train, upskill, and coordinate resources to get back to the economies of scale that they were once performing at. To reach this size and beyond, a firm must strike a balance between Practice Excellence proficiency and employee effectiveness.

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Always be learning. Not about accounting but about business. From leadership to strategy to management and even technology in general, partners and owners, and future partners and owners, should invest in their business skills outside of accounting, just like any other business owner, in order to succeed and thrive in today's markets.”

Carla Caldwell, Caldwell Consulting & Training

Specific Activities That Separate The Top Firms

The Practice Excellence assessment tracks the specific initiatives that an accounting firm invests in. This identifies what the most common activities, and what is helping the highest-performing firms be successful.

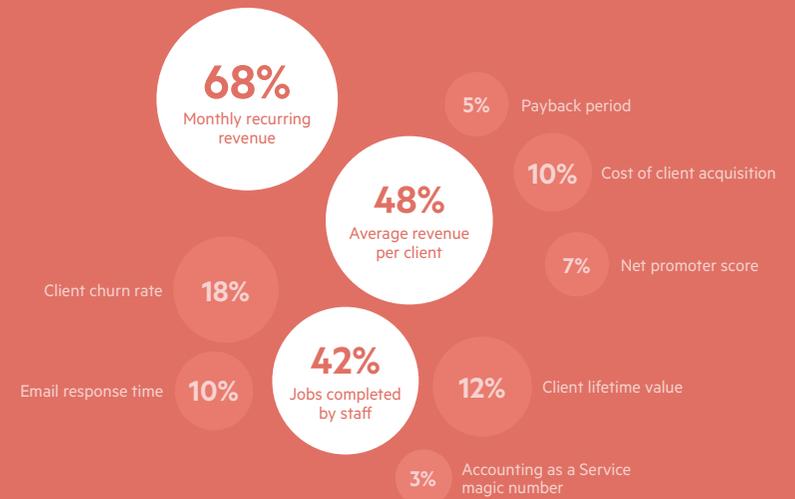
Regression analysis shows whether firms are putting a level of focus on certain activities that is equivalent to the impact that activity can have on a firm's Practice Excellence score. Using this regression analysis, an activity can be placed into one of three buckets:

- **Under-utilized:** The activity can have a positive influence on Practice Excellence, but it is utilized by few firms.
- **Appropriate level of focus:** Most firms are applying an appropriate level of focus on this activity that is equivalent to the influence it can have on Practice Excellence.
- **Over-utilized:** The activity has little or no influence on Practice Excellence, but many firms are still focusing on it.

MOST COMMON TECHNOLOGY SOLUTIONS USED



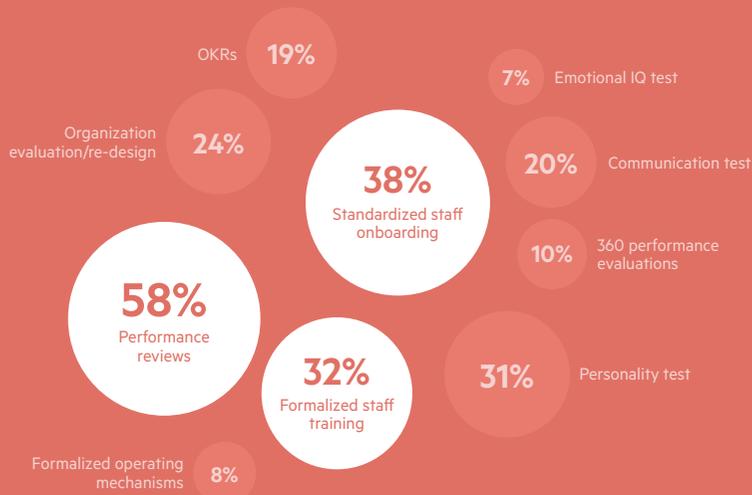
MOST COMMON REPORTING METRICS TRACKED



MOST COMMON GROWTH INITIATIVES EMPLOYED



MOST COMMON MANAGEMENT TECHNIQUES USED



UNDER-UTILIZED

APPROPRIATE FOCUS

OVER-UTILIZED

Technology Solutions

Practice/client communication	Cloud email	Document management
Business intelligence	Document management	Time-tracking software
	Cloud accounting	
	Task management	
	Workflow management	
	Practice management	
	CRM	

Reporting Metrics

Cost of client acquisition	MRR	Nil
Client churn rate	Average revenue per client	
Email response time	Aaas magic number	
	Client lifetime value	
	Jobs completed by staff	
	Net promoter score	
	Payback period	

Growth Initiatives

Review site cultivation	Ideal client profile	Website revamp
	Content marketing	Newsletters
	Target market selection/niche	
	SEO	
	Local events	
	Client trade shows	
	Telemarketing	

Management Techniques

Formalized staff training	Standardized staff onboarding	Personality test/StrengthFinders
Formalized operating mechanisms	Organization evaluation/re-design	Performance reviews
Emotional IQ test	OKRs	
	360 performance evaluations	
	Communication test/DISC	

Based on regression analysis performed on the responses from more than 700 accounting firms, the table on the previous page shows what firms are currently focusing on, listed in order of impact on Practice Excellence.

If you want to quickly identify some actions you can take to improve your firm's business proficiency, a good start would be implementing those in the under-utilized bucket. You should also ensure that you have considered the highest-ranked activities in the appropriate level of focus bucket.

When considering optimization of revenue per employee, regression analysis found that only three components truly had a positive impact:

- Formalized staff training programs
- Workflow management
- Jobs completed by staff

These activities reinforce that the key to increasing revenue per employee unsurprisingly rests on getting work done. The best way to enable this is to ensure your staff are properly trained, you use a workflow management system that is optimized for efficiency, and you track productivity per employee using job completion rates. By following this simple rule, any accounting firm can increase their revenue per employee.

“

We're continuing to build meaningful relationships with trusted partners like Karbon to make sure tax and accounting professionals have the tools they need to reduce compliance work and help their clients thrive. With Intuit Practice Management, firms can now increase their team's output with a centralized, collaborative work management platform deeply integrated with their email and the tax software they know and love from Intuit.”

Jorge Olavarrieta, Vice President of Product Management, Intuit

The Road To Practice Excellence

A high level of Practice Excellence is what every accounting firm must aspire to achieve. Becoming proficient in the Pillars of Strategy, Growth, Management and Efficiency will ensure that your firm will thrive.

The accounting firms that achieve this high level demonstrate an ability to tackle challenges, foresee and adapt to change, and take advantage of opportunities. They exceed their revenue targets, produce more output without working more, and become a place where the best talent wants to work and their best staff want to stay.

And perhaps most importantly in a year such as 2020, accounting firms with a high Practice Excellence score are better prepared for future changes and challenges—no matter what these might be.

A focus on business proficiency must become your mission. 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 learn 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. This is particularly apparent for the first 300 participants. More recent participants provide a truer representation of the general accounting profession. Results and this report will be updated as a broader audience participates.

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.

Powerful work management software for accounting firms

Karbon provides a truly collaborative platform to manage workflows, communicate with teams and deliver exceptional client work.

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