



EXECUTIVE SUMMARY

Future Accountants

A summary of interviews with future focused accounting firms:

Howard Smith - The Number Crunchers

Lucy Cohen - Mazuma Money

Alastair Barlow - Flinder

Sian Kelly - Inform Accounting

Christopher Cheeney - CDC Accounting

Pamela Phillips - De Jong Phillips

Dext

Respondent Profiles and Methodology

This summary report was commissioned by Dext to understand the positioning of various accounting firms within the UK and to develop greater insight into how such firms were responding to industry changes to continue growing their business and elevate their success to the next level. Respondents were all pre-identified as 'next generation accountants' who have in the last 2 years achieved excellence in growth, innovation and bringing excellence to their clients. Content from the interviews will be used in blog posts, videos, and case studies to promote the respondent's businesses to a wider audience.

Respondents were pre-identified but otherwise they were all key decision makers within accountants and SMBs.



Objectives:

- Spread knowledge about modern accounting innovation and Next Generation accounting



Introduction Outline

This is a summary report, and only the key findings from all UK interviews have been included. The full interviews and recordings can be found in the appendix.

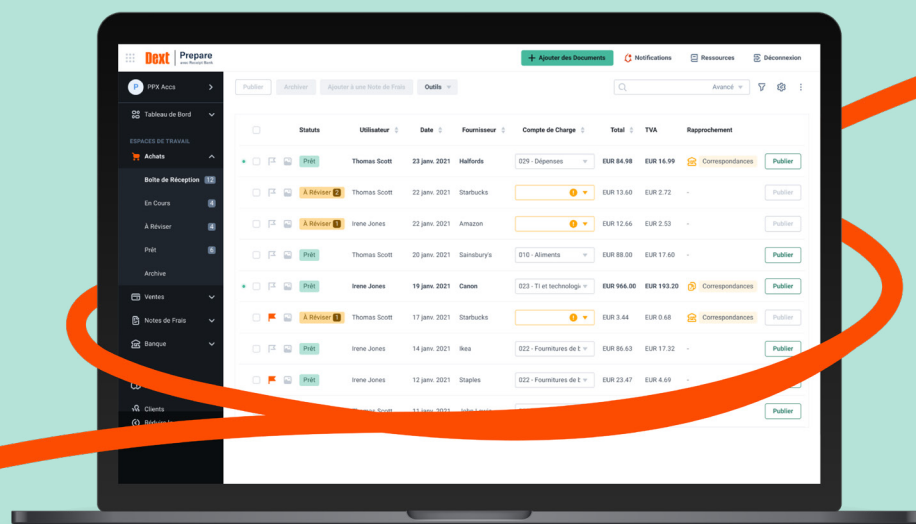
Current Positioning

Inevitably respondents all varied in background and experience level with establishing dates ranging from 2006 - 2014 but all were involved with the hands-on running of the business. Prior to establishing their own firms, respondents were working in the field of finance (mostly other accountancy practices but generally in finance as well e.g. investment banking) and decided to create their own company in response to a perceived need in the market -



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to offer a ‘modern’ accountancy firm, to serve smaller businesses, or to provide for businesses of a certain industry. All respondents were familiar with cloud-based accountancy technology with Dext and Xero being the most popular (Sage and home-grown software were cited to a lesser extent) and the idea that these had been transformative in the world of accountancy was clear.



The Transformative Nature of Cloud-Based Accounting Software

Respondents related to cloud-based accounting software in exclusively positive terms; it had automated a lot of processes that were once time-consuming and demanded a high volume of company resources i.e. they no longer had to dedicate staff to sorting through, compiling and scanning physical invoices and documents that clients had sent through the mail, it allowed for improved accuracy, data had become more accessible and readily available to allow for a more efficient service, and from a client perspective, handling such documents had been vastly streamlined so they were able to make submissions in a relatively straightforward way i.e. 'scanning an invoice on an app' as opposed to emailing, sending via the mail, etc. There was additionally some perception that cloud-based software had made the dynamic transferral to working from home - in light of the COVID-19 pandemic - a lot more possible as a result of remote access, and onboarding clients no longer required a physical interaction or meeting.

"Invoices raise themselves, pay themselves, and reconcile themselves". - Howard

The time benefit was viewed to be the primary advantage of such software; no longer having to handle the 'busy work' meant that accountants were given more freedom to provide added value onto their services, and it also made the business scalable in a way it wasn't previously - making the bookkeeping work less demanding on resources made dealing with a higher volume



"[Cloud based technology is] absolutely pivotal to everything we do - it helps us help our clients... [It enables us to] give advice when a client says, 'I want to buy this property. I want to hire a new person'. We can just jump straight in and tell them if they can afford to do that with a cashflow forecast." - Pam

of clients much more possible. Software like Dext allowed for a greater transparency and flow of communication with clients - they were submitting invoices and documents more frequently due to the perceived ease of use (with the app), which meant that accounts were maintained and kept up to date more efficiently than before (communication being more of a weekly / monthly occurrence now as opposed to yearly).



Not 'Just' an Accountancy Firm

Less time spent on manual inputs and extraction of client documents allowed respondents to place greater focus into diversifying their business offering and provide additional services such as advisory/coaching and project management, so there was the sense that many firms (not just their own) were shifting away from compliance only - though compliance was still integral to their overall offering. As a result of this perceived mass consolidation within the industry i.e. technology and automation making the overall output similar across all accountancy firms, the challenge of standing out against competitors was huge, but differentiating themselves from other firms - in terms of what they offered - was sometimes perceived to be less important than their ability to deliver on consistency, good communication (with clients) and value added propositions to improve upon retention.

"We do some accounting, but actually, that's not really what we're about. We're about helping

businesses make better decisions. We use technology, data and experiences to help them do that. And not just financial data, but data across the business, and technology that we have either adopted outside the world of accounting, or have built or are building ourselves." - Alastair

"I've been thinking about [how to stand out]. We used to stand out because we were cloud-focused, and we were so far ahead. We've won awards for our cloud services last year, so we can use that as a point of difference, but only for so long. I don't know the answer to that right now, but it doesn't mean I won't think of something. Where we can excel is in making sure we retain our customers. And if you're offering really good customer service, we naturally get a lot of referrals and people wanting additional services." - Sian



Some differentiation did exist, ranging from surface-level difference in terms of software used e.g. one respondent used a privately developed software (found to be more flexible to suit client's needs), charging structures e.g. one mentioned a 'Netflix' equivalent subscription type model, while another took a tiered approach that allowed clients to select and pay for only the level of service required, some were more selective over the types of client they provided services to e.g. Salon industry, to more granular differences in terms of how they onboarded client's e.g. 'The Five-Step Process', whether they onboarded remotely or face-to-face, and how they built relationships with clients e.g. some took a more 'silent' and background approach, whereas others were more advisory.



"We're the first to market with a subscription model in the UK. And we're still really the only people who do it truly is a subscription, kind of like a Netflix for accounts. We very much took a manufacturing business model and applied it to a professional services business. And every time we encounter a problem, we evolve." - Lucy

Changes on the Horizon

Respondents struggled to identify any new trends or changes to the accountancy industry outside of a growing reliance on technology to streamline and automate a lot of the process already performed within the compliance area specifically, with some fear that this could make such their own jobs redundant in the future, and an expectation of further integration or 'linkage' between key software e.g. Dext, Xero, etc and various systems e.g. with banking (to make payments on a client's behalf), mail chimp, etc to make data more portable (though with some added risk that this made it easier for clients to switch to another firm more quickly with data being more easily transferred, etc). There was some perception of how such changes might impact the market overall; smaller companies being acquired or bought out by larger firms, a further division between compliance vs advisory (where compliance only firms would struggle to remain relevant in a business increasingly reliant on technology), and a greater need for accountancy firms to become 'hyper-local' or focus on serving a specific industry only.



I do believe that computers will be accountants. But I don't see myself as an accountant. Yeah, we've got an obligation to report to HMRC and Companies House, and we've got to do that in a timely way. We help our clients understand their tax, and things like that. But that's just one side of things. But what our clients really need is to understand how their business is performing and how to improve it." - Chris

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