



DIGITAL TRANSFORMATION: THE JOURNEY SO FAR

Cloud-based technology can help firms and their clients share data online in real time. Practitioners from small and medium practices tell **Liana Cafolla** about their paths to digitalization, the challenges and benefits, and the boost from COVID-19

Illustrations by Ester Zirilli

For accounting firm NOVA CPA Limited, a small and medium practice (SMP), the push to go digital came from client demand and the firm's conviction in about equal parts, says Co-founder Matthew Li FCPA (practising). His clients were looking for solutions to make digital payments, for OCR, or optical character recognition, which allows for scanning of invoices and other documents, and for digital administration tools. "We have had a lot of enquiries in these areas," he says.

NOVA use Xero, Zoom and Google G-suite to do their day-to-day work. In all, the company has adopted cloud technology to handle 80 to 90 percent of the firm's operation, but Li considers the firm as still on its digital journey. "Digital transformation is not a task, nor a project. We are still at the beginning in a never-ending journey. It's like staying healthy, you need workouts and healthy food. We're doing workouts every day."

His biggest challenge has been to convince employees of the potential benefits of going digital, he says. "The technology is ready but there is fear of change. Fear of being replaced by technology."

To win them over, the firm has focused on educating employees about the benefits of technology and how digitization aligns with the firm's vision and goals. "We share our view of the future, of the industry, and the attitudes needed to cope with change and maintain momentum," he says. He has also shifted attention to the younger generation. "They are very smart. They adopt technology quickly."

For Li's firm, the main benefits of going digital have been improvements in accuracy, efficiency and decision-making. Sharing data digitally has eliminated a lot of human error, and the firm can work more efficiently with clients, who can now access the firm's schedule for booking appointments with ease. Clients can also access all information and settle payments digitally, which saves them a significant amount of time and cost. "NOVA is not a traditional CPA firm. We focus on bringing value to clients, helping them to be more efficient, do better business and help Hong Kong people. Digitization also brings value to the firm in terms of more time to let us think and focus on strategic growth. It also produces positive social outcomes by reducing the need for staff to work overtime."

"Digital transformation is not a task, nor a project. We are still at the beginning in a never-ending journey."



On the international level, Hong Kong lags behind others. “Places such as the United Kingdom and Singapore have already implemented different policies that utilize accounting software, such as digital audit submissions and digital signatures, which are not yet available here. That’s the environment.”

The government’s launch of digital IDs for individuals and corporate IDs is a promising sign of future possibilities in a range of areas. However, some processes need to change to enable greater uptake. Li gives an example of during the pandemic, with many government staff working from home, he tried to submit digital signatures for the

audit report, but they were rejected. However, the emergence of COVID-19 and extended work-from-home periods changed attitudes and more clients are now eager to switch to technology.

“Building the eco-system is our next step,” he says. “That’s why, as a CPA firm, we have a lot of partners in the region. We’re looking at fintech, regtech, compliance issues, know-your-customer duties, money laundering targets. But if the environment doesn’t change, then the endpoint doesn’t change.”

Tracking global workflows

At CW CPA, the journey to digitalization started in the last quarter of 2020. The pandemic was

still raging around the world, the long-term negative implications for international travel were becoming apparent, and clients were clamouring for digital solutions. “Most of my affiliates and customers are going digital, so if I don’t go digital, I will lose a lot of business,” says Thomas Wong FCPA (practising), Co-owner and Partner of the firm. The fast growth of China’s tech companies, from small businesses to e-commerce giants, is the inspiration for the firm’s switch to digital, he adds.

With a staff of almost 100 and more than a thousand clients spread across seven offices in Hong Kong, Mainland China, London, Barcelona and Bogotá, finding

ways to share data and collaborate effectively are essential to his business. The firm's presence in Latin America is its niche offering for Mainland China and Hong Kong, and it is deepening its connections with the launch of what Wong calls a "virtual internship" by launching a memorandum of understanding with a technology university in Mexico to train eight students online in digital e-commerce in the Mainland.

With some teams located abroad and other staff members stuck in their home countries, the firm uses Monday, a cloud-based platform that helps companies manage their workflow in customizable ways and track project progress. "They have to input their work on Monday," he says. As well as enabling international work management, Wong says the platform and other software have helped improve the firm's efficiency in dealing with everything from supply chain and bookkeeping to audit and tax returns. The firm also uses Xero and recently added Alipay to its range of payment options.

Staff support for the changes has varied. For employees located overseas, the take-up was quick and enthusiastic. In Hong Kong and the Mainland, getting buy-in was more difficult. "I promised my staff no sacking, just the optimization of resources," he says.

Employees in Hong Kong and the Mainland were able to experience first-hand the benefits of cloud-

based work during the pandemic. "In February 2020, when COVID came, I told them to stay put and work from home. So that was a trigger to go for digitalization, because of health," says Wong.

His advice for other firms is to recognize that the new normal of digitization is here to stay and to adapt to the changes. "We have to accept new trends, new ways, new methods. Be forward-thinking, courageous, do it again if you fail. And get the young generation on board – they are good at digital."

From tech user to builder

A desire for greater efficiency to counter the difficulties of finding employees and ever-increasing staff costs was the trigger for Linkers CPA to go digital in 2018, along with clients' demands for cloud solutions to handle their financial reporting and management reporting processes. One of the first digital changes Linkers made was to move invoicing from Excel spreadsheets to Xero, making real-time online invoicing possible. The firm had heard about the cloud-based accounting platform and decided to move out of their comfort zone and switch to digitization. They contacted Xero, put together a team of three to four people to customize the service to meet their needs and then worked to convince colleagues, partners and clients that cloud-based solutions were the way forward. "For SMPs, we are one of the market leaders already for digital transformation," says the firm's Founding Partner, Rex Leung FCPA (practising).

It took time and effort to promote the system to small and medium enterprises, but the effort and investment was worth it. "In 2020, especially with COVID, it paid off,"

"We educate clients to scan all the receipts to the cloud platform to facilitate better file management. It's convenient. But then we still have to keep all original receipts for seven years."

says Leung. The firm's proficiency in cloud technology and its ability to offer a wider range of cloud-based services helped it win big clients including listed companies and large food and beverage companies.

The switch to digital is bigger than simply adopting a cloud-based platform, he explains. "The thing is, it's not just about finance. It's a cloud-based platform. There can be some API integration [application programming interface, which allows apps to communicate with each other]. It's like a mini enterprise resource planning system." The integration of different functions and services creates a network of solutions for clients that helps build loyalty and close relationships. "It allows us to create an ecosystem for the apps localized in the market, build a community for our clients and enable us to share knowledge with them," he says.

The firm's adeptness with technology has made it a more attractive employer to graduates who are interested in tech-related business. Other benefits to the firm include saving between 40 and 100 work hours per week on client finance teams. Bank reconciliations can now be automated, eliminating the need for data entry and reducing



In September 2020, Gartner, global research and advisory company, reported that 69 percent of boards of directors in the United States, Europe, the Middle East and Africa and Asia Pacific had accelerated their digital initiatives following COVID-19 disruption, and were looking to increase their spending on technology.

"Most of my affiliates and customers are going digital, so if I don't go digital, I will lose a lot of business."

human errors. The audit team can do more of their work without paper and communication with clients is easier and faster.

In some areas, tech solutions are hampered by Hong Kong's long-standing preference for paper records. "We educate clients to scan all the receipts to the cloud platform to facilitate better file management. It's convenient. But then we still have to keep all original receipts for seven years," says Leung. Similarly, tax returns still have to be filed on a paper form, unlike in the Australia and U.K. where they can be filed digitally. He thinks the work-from-home experience during COVID, when some employees were not able to do much work from home, has highlighted the advantages of digitization.

Linkers has already set up its own tech team to further develop their own product, called Cloude, which offers a series of cloud-based accounting services, such as receipt scanning, bank account checking in real time and more user-friendly reporting. "Our focus is still on our CPA practice. We will keep developing the cloud products and services ourselves in collaboration with other players in the cloud community in Hong Kong to provide more value-added cloud solutions to our clients," says Leung.

Early adapter

One of the earliest adapters of digital technology in Hong Kong was FastLane CPA. Prior to setting up their firm in 2013, the founders had worked at an international bank where they had experienced first-hand the benefits of digitization and automated processes, and they quickly adopted tech solutions for their firm. "We starting using Xero and Zoom about six or seven years ago when those technologies

"I think lots of traditional accountants are very busy and just put their heads down and work and work. But I think it's worth it to go out and meet different people and explore new technology which can save their time."

were still very new in Hong Kong," says Wilson Ng CPA (practising), Co-founder of the firm.

Adopting Xero was the biggest step in the firm's digital transformation. "By using Xero, we are able to provide our clients with the latest financial information and liaise with our international clients more efficiently," he says. The firm's biggest challenge was convincing clients of the benefits of working with cloud technology and teaching them how to use it. "We educated our clients and guided them through the process to make them more comfortable."

Ng expects the firm to continuously be on the lookout for new and better tools to work for accounting and also in other areas. "There are also other tools, like customer relationship management systems, which can help to manage the clients and increase the sales," he says. "I think lots of traditional accountants are very busy and just put their heads down and work and work. But I think it's worth it to go out and meet different people and explore new technology which can save their time."

Digitization has no end point that

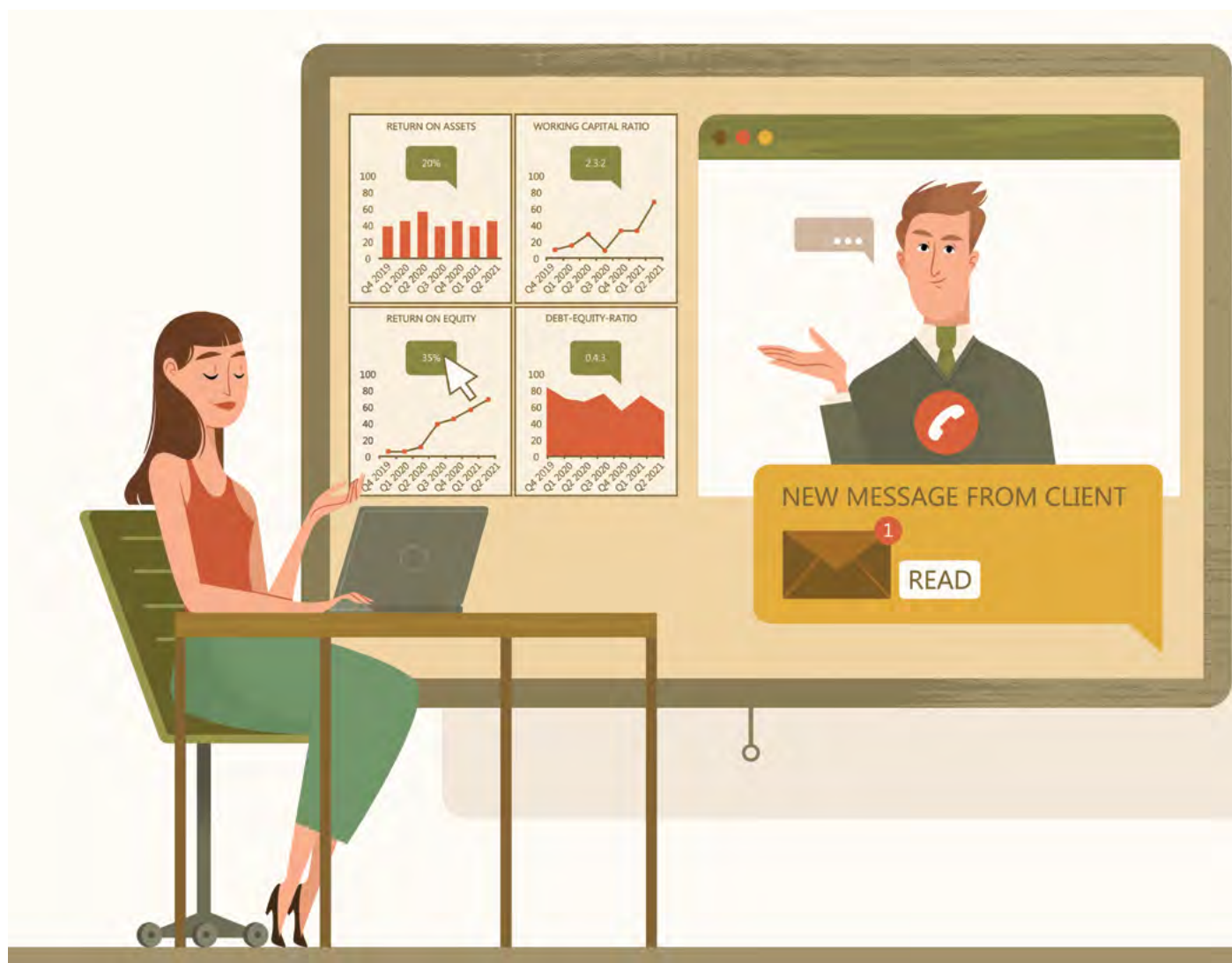
he can see. "I don't think there's an end to this digital transformation. We need to keep exploring new technology to help us get better. Once we stop, our competitors will overtake us."

Ahead of the curve

After launching his firm in 2014, Larry Cheng CPA (practising) quickly started switching to digital. He was inspired by the transition from manual to digital he witnessed while working at a Big Four firm. "I thought, this is not just for big firms, small ones should do this too," says Cheng, Founder of Wise Diligent CPA Co. Ltd., a Council member of the Institute and Chairman of the Institute's Digitalization Committee.

His firm's digital transition took a rapid step-by-step approach. From doing everything manually, he moved some units to digital, starting with the billing system and human resources. Using Xero and other applications, he then moved the entire work flow to digital platforms and advanced to using artificial intelligence to help with audit work. His entire audit workflow had gone digital by early 2020. The transition has saved him about 30 percent of work time for each engagement on average, he estimates.

His team of five staff adapted well to the new digitized environment. Monotonous work has decreased but the workload has remained steady, as the firm took on more clients. Cheng tells his employees their judgement, communication with clients and physical checks all remain essential. "The tools cannot replace you," he says. Cheng developed WIDI, a specialized audit practice management tool, with young employees in mind. "Young people are afraid of audit – the work is dull



and the working hours are so long,” he says, adding that a recent advert for an audit junior received no applications. “The tools can help us make audit more fun than before.” He designed the application with attractive colours and automated features to make using it easier and more engaging.

Cheng’s early adoption of cloud-based technology meant the firm was seamlessly able to adapt

“I thought, this is not just for big firms, small ones should do this too.”

to COVID working conditions. “Far earlier than COVID, I had already realized how good it is if I can let staff work from home. We had already adopted the tools. When COVID came, we already had work-from-home without any negative impact on the business,” he says. The firm’s work-from-home arrangements are still in place. “I don’t have intentions to change it. When I let them have this freedom, they tend to be more responsible and pay more attention to deadlines.”

From being a user, Cheng has now moved on to working with an external developer to build WIDI, which launched last year

and is still being worked on to add more functions and integration capabilities. The tool includes features that allow audit documents to be accessed easily and for teams to collaborate online, allowing audits to be completed from any location.

He believes the investment in time and money will be worth it to further increase efficiency and prepare the firm for scaling up through acquisitions. “Especially at this moment, some older practitioners are planning to retire, leaving some opportunities for us to do some acquisitions,” he says. “Without efficient tools, it could be catastrophic.”

