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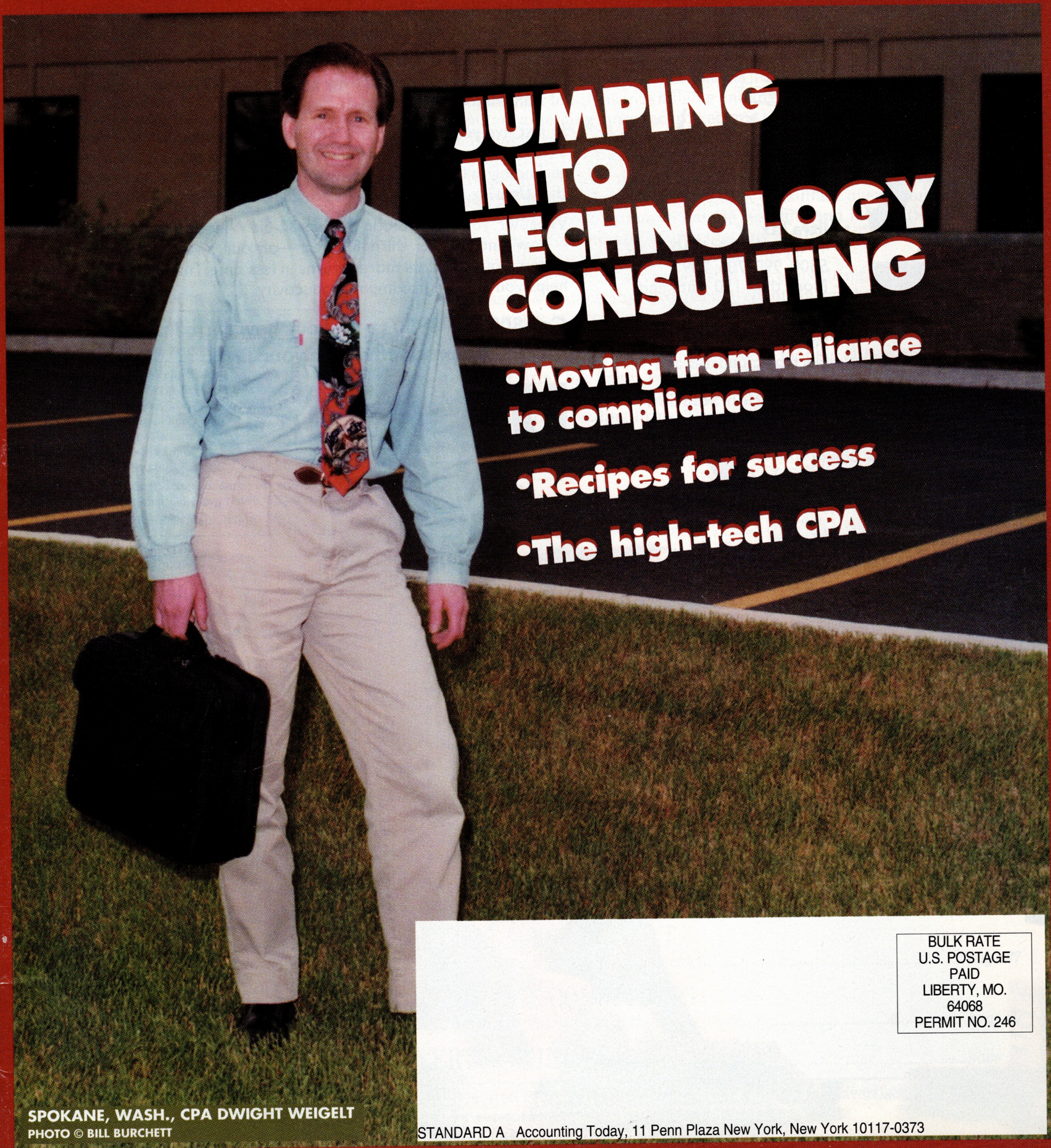

JUMPING INTO TECHNOLOGY CONSULTING

- Moving from reliance to compliance
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SPOKANE, WASH., CPA DWIGHT WEIGELT
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GROWTH OPPORTUNITIES

Traditional CPA firms struggle to add info tech to their service lines.

Technology success comes in many different flavors for CPA firms

by Michael Cohn

Accounting firms are rapidly catching up with today's emphasis on high technology and are finding a ready market for their expertise. Technology consulting has become a lucrative field for many CPAs, as clients seek out advice on choosing and installing an accounting system, while relying on their accounting firm's practical knowledge of how to handle the cash flow.

At the Spokane Valley, Wash., office of LeMaster & Daniels, Dwight Weigelt chose this path even when others at the firm were skeptical. As manager of the firm's information systems group, he specializes in installing, customizing and supporting State of the Art's MAS 90 accounting software.

"I make sure the solution will fit the client's needs," he says, "and then we install a software solution second to none." Weigelt believes that a firm needs at least three people to handle technology consulting the right way. His firm, whose headquarters are in the city of Spokane, has eight technology consultants, two of whom are part-timers. At Weigelt's own office, however, he is the only information systems consultant. The firm, overall, has 150 professionals and about 100 para-professionals, secretarial and support staff members.

At LaFollette Jansa Brandt in Sioux Falls, S.D., nobody on staff is devoted 100 percent to technology consulting, yet the firm has a thriving practice in that area. "We've done that by design," says partner Greg LaFollette. "We want to make sure people also add value to the overall practice."

His firm has three people who work as technology consultants, including a Microsoft-certified professional who is the lead technology specialist, and a Great Plains Software-qualified installer who also does network consulting and sets up communications networks and Internet-based e-mail for clients. LaFollette estimates that that individual "spends 30 percent of his time chargeable to clients."

Turn of the century

Technology consulting is relatively new to LeMaster & Daniels, the firm was founded in 1908 – long before the first microchip was developed. Weigelt joined the firm about a year ago, after 11 years of running his own firm.

"Basically I brought my own practice in-house," he says. "When I came in here, I tripled the volume."

Despite his success at increasing billings, Weigelt feels he still needs to prove himself. "I'm still working to gain credibility among the other

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Michael Cohn is a New York-based technology writer and a former senior editor at Accounting Technology, which, like Accounting Today, is published by Faulkner & Gray.

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CPAs," he admits. "You need to get a few successes."

Treading carefully around firm politics is a must. "You need to step up to the plate and admit you're wrong a lot of times when you're not," he says. "You may stub your toes a few times."

Weigelt believes that CPAs in technology serve two markets – their regular external clients and "an internal market" of fellow CPAs. "You will bump elbows on a weekly basis, and they will know your failures and successes," he says.

Weigelt has a lot of practical experience with competitive industries. After ten years of managing Woolworth stores, he became a cash register dealer, recognizing it was a product needed by a wide range of companies.

In the cash register business, he pursued a strategy that he later adapted for his career at LeMaster: generating sales within small towns in the vicinity and using that momentum to drum up business in the city.

"I'm creating a lot of excitement within the firm and bringing clients into the training facility. They say, 'We can't use that conference room because Weigelt's got it again.' Then they say, 'I wonder if he can help my clients.'"

After two years in the cash register business, Weigelt was able to sell a million units within a six-month period. "I took a failing firm and took it to the top," he boasts. Eventually, increased local competition set in and, as cash registers became linked to computers, Weigelt got a taste of computerized accounting. A commission dispute prompted him to leave the business and start his own firm.

Although his practice was successful, joining a major regional firm like LeMaster allowed him to market his services in a larger geographic area and added extra credibility. "I used to spend a lot of time in the selling process explaining to people that I knew the difference between a debit and a credit," he says. "I no longer have to sell my competence. We get right to the consulting and cut all the bull. It's the equivalent of taking two years off the relationship-building process.

He further explains that people "see me as someone knowledgeable" because of his CPA credentials. "They say 'Great, I can take advice from this guy.'"

Even when he loses a client to a cheaper competitor, Weigelt tries to stay in touch through monthly MAS 90 user group meetings and via the firm's newsletter. He estimates that 95 percent of his business comes from word of mouth.

To keep in his clients' good graces, he does quality control assurance and sends them little gifts to help bring in the contacts he needs. "I market to my existing clients and they give me leads," he says. "I ask for them."

Getting right to the consulting: Dwight Weigelt, of LeMaster & Daniels in Spokane, Wash.

Speaking up

At LaFollette Jansa Brandt, Greg LaFollette raises awareness of his firm's technology practice through frequent speaking engagements about technology solutions. "I always talk about what the impact can be on the company," he says. "My clients aren't interested in whether we use a COM port or a 33.6 modem, whether it's SQL Server or not. They care about what value it brings: how they can save money, how it makes a difference for them. The actual technology consulting is a byproduct."

Firms can't just idly advise their clients to roll out the latest cutting-edge solutions. A firm has to be willing to use the same kind of high-tech systems it recommends to others. "If you're going to do it, you have to live it," says LaFollette.

Many of his clients want these kinds of solutions because they see technology at work when they visit the firm, according to LaFollette. "A clear majority of our technology clients have been gained through attraction," he says. "They're sitting in somebody's office who happens to get a phone message in their computer. The guy pops up his e-mail or his schedule or sends a fax from his computer across the Internet. Then we say, 'We provide those services. Would you like to have someone call you?'"

LaFollette himself is a technology buff, and he makes sure the firm he co-founded in 1980 practices what it preaches. However, he recognizes that not every firm is ready to tackle this specialty. "I caution people to make sure they have partner-level support," he says. He also believes firms should have backup people available, in case there's a sudden departure. In today's competitive climate, good technology consultants are hot prospects who are frequently enticed to jump ship.

"Don't train somebody who's your entire technology department," LaFollette warns. "If you have a client base looking to you for technical support and the person you trained is gone, you've got a client who's disappointed."

Firms that specialize in technology consulting should also have some people at the partner level who are technology-savvy. "They have to be trained and involved," stresses LaFollette. "When my technology specialist comes in and looks at the projects he's doing, I know exactly what he's talking about. I'm not stringing along."

Adjusting the fit

Fitting a technology consulting practice into a traditional accounting firm takes some adjustment, acknowledges Weigelt. "In some cases, it's a real tough sell," he admits. "If you've got an audit engagement, a tax engagement and a pension plan, the MIS engagement can be a very small percentage of the pie."

Trying to give a client everything on a wish list can also cause tech consultants to lose out on the bottom line, he warns. "You can run into a situation where you spend a lot of time and, therefore, dollars to get a client a particular report and those hours might not be billable, although that client's value to the firm may be in other areas that are not yours."

Also, bringing up a new accounting system can lead to unexpected costs that the firm could be obligated to bear if it's under contract. Weigelt says consultants need to avoid pursuing new business blindly without regard to how

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much it might end up costing their firms.

"You have to look at every contract and convince yourself," he advises. "I've said no after I sold a contract. You have to do that sometimes. I haven't done it often enough. After we define it, I sit there and say, 'No we're not going to be able to do this. We need to go back and get some definition on it.' And we may lose the contract."

Weigelt typically bills according to the value of the service he provides. "I do the consulting and system design up front most of the time," he explains. "I lay that all out in the proposal and embed about 10 hours of my time in the proposal. If they buy the proposal, they pay for my time."

When he does an MAS 90 installation, he bills for the software and for training, implementation and consulting services. He prefers to do fixed fee, rather than per hour, billing, although the firm offers both, in addition to arrangements in which a client can get up to 100 minutes of phone support for $100 per month. "In the end, it's all about how much money you bring into the firm," says Weigelt.

He does many conversion projects from other accounting systems to MAS 90. The majority of his engagements involve software installation, data conversion, implementation, on-site customization and training. "Most of those important services will be for the first six to eight months," he says.

However, Weigelt also expects to earn recurring fees from implementation. Many of his clients wish to go beyond the simple functionality of what he terms a "level one" implementation. They may want more sophisticated data and reports out of the system, in which case he can go back and adapt it.

Quick consultations

A profitable specialty at LaFollette's firm is consulting on Quick Books, the popular low-end, entry-level accounting software from Intuit Inc. He believes his firm's accounting know-how gives would-be Quick Books experts a run for their money. "A whole bunch of schlocks are out there who don't have accounting training," he says.

Since Quick Books enjoys the biggest market share among accounting packages, there's no lack of clientele. LaFollette's firm includes two staff members who are part of the Quick Books Professional Advisor program, giving them direct access to Intuit support.

"In a couple of visits," he says, "our support people can usually set up somebody's payroll and general ledger, tune up some things, answer any questions, add a few functions and be available for support on call."

The firm bills $85 per hour for Quick Books training, with a two-hour minimum. "There has been some price resistance to that," acknowledges LaFollette. "If they balk, we say, 'We suggest you read the book.' Then they call us the next day when they figure out there is real value to the service."

For a more complicated project than a Quick Books job, the engagement usually begins with an interview. "The conversation might just be about e-mail – how you could use it, how you would link it with the outside world – just so they understand the concept," explains LaFollette. "They may not know AOL from an ISP, or understand what it means to have e-mail delivered directly to their workstation."

Next, the firm puts the proposal in writing. "You come back and draft an engagement letter," continues LaFollette. "You just go through this whole thing. This is what it's going to take: you will need a modem and this kind of machine, and we think this will take six hours to install. The hardware will cost you $1,000 and six hours of time. This other component might be a check printing program. It will take us three hours to configure it. It looks like the hardware and software cost will be 35 hours of consulting time. Which things would you like us to do?"

> I'm still working to gain credibility among the other CPAs. You need a few successes."

His firm normally doesn't sell hardware and software. Instead, it focuses on finding the right solution for a client and a source where the product can be purchased. "If the client wants to buy an e-commerce solution," says LaFollette, "we say you need a copy of Cold Fusion to make that work. Here's who you buy it from. It's going to take us six hours to install and configure it."

But the firm does make exceptions when a client wants it to do the shopping and sourcing. "Occasionally, clients ask us to just buy that stuff for them and then we pass the cost through to them," says LaFollette.

His firm is also a dealer for products that clients generally wouldn't purchase directly, such as Great Plains Software's accounting packages, as well as Internet products like the Connect 2 Series from Infinite Technologies and Office Logic from LanAces.

Train to win

Good training is a key component of a successful technology consulting practice. "On the MCP [Microsoft certification] track, I believe strongly in the Microsoft-approved A tech courses," remarks LaFollette. He notes that his firm belongs to the American Institute of CPAs' A Technical Advisor program, which offers two-day courses in topics like Windows 95. The Microsoft-certified professional at his firm is also certified in Windows NT.

At LeMaster, clients are trained using a curriculum developed by software vendor State of the Art. Although the CPA firm specializes in MAS 90, it can work with a Seattle-based dealer to get State of the Art's Acuity Financials, if that's what the client wants.

The firm focuses on attracting clients in several industries, mainly distribution, construction, manufacturing and service categories like plumbers, electricians, computer dealers and photo copier dealers, along with a few medical clients.

LaFollette's firm doesn't focus on specific vertical industries, but, like many other firms, it's on the lookout for talented tech staff. Finding qualified technology talent not easy, however.

The market value of certified technology professionals can even exceed a CPA's value, which can cause rifts in firms where accounting and tax partners are accustomed to feeling highly prized, Follette notes. "We're seeing a trend where tech people are earning more than their CPA counterparts. That doesn't sit so well sometimes."

LaFollette says he hasn't encountered much resistance within his firm to the technology consulting practice. Instead, the general mood seems to be forbearance. "I have very supportive partners who shrug their shoulders," he acknowledges.

He will probably continue to keep his colleagues guessing. "We're bringing up an intranet and they're not too sure what that is," says LaFollette. "I tell them, 'As soon as we get that done, we'll do an extranet,' and they just roll their eyes. There's a constant education program going on for all of us."