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Plenty on Their Minds

What the top figures in the accounting field are worrying about now

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As part of an annual survey of the leaders of the accounting profession, Accounting Today asks them what they think are the biggest issues facing the field, and their answers this year might well have used the old acronym SALY: same as last year.

Remaining relevant in a fast-changing business and economic environment, recruiting and retaining staff in the face of the mass retirement of the Baby Boom generation, and keeping up with technology and the fast pace of change remain top of mind for the top figures in the field.

STAYING RELEVANT

By far the most common concern involves the way technology and changes in business threaten to leave the profession behind, and the need for accountants to adapt. As in the past, VeraSage Institute founder Ron Baker sounded the charge: “Unless our profession continuously innovates and adds value, we deserve irrelevancy. What was the last innovation from the profession? We continue to avoid the tough issues, such as auditor independence.”

Some had very specific suggestions, especially in the area of audits.

“Auditors must adapt to a new way of thinking about their role in our capital markets,” said Public Company Accounting Oversight Board Chairman James Doty. “But auditors must move from measuring and promoting their services to audit clients to, instead, measuring and promoting their services to investors through more consistent investor protection, more meaningful audit reports, and more engagement with investors.”

Center for Audit Quality executive director Cindy Fornelli amplified that idea: “The accounting and auditing profession must also continue to envision how the audit of the future can meet stakeholder needs for the benefit of investors and the capital markets. The profession must think proactively, investing resources and talent in areas where auditors can and should play a greater role.”

Meanwhile, Jack Ciesielski, publisher of The Analyst's Accounting Observer, had a narrower focus, "Making earnings presentations relevant again. The FASB needs to re-examine the performance reporting comprehensively and make their presentation preferable for investors compared to the plethora of non-GAAP presentations."

Many broadened the issue of relevance beyond auditing and financial reporting to all clients and all services — including some that don't currently exist. "Mindsets, skillsets and toolsets must all change to meet the client's wants and needs," said Boomer Consulting founder Gary Boomer. "The profession sits in an enviable position of most trusted advisor, but to retain this status members must become more strategic and innovative."

The need for a mindset change resonated with consultant and Nerd Enterprises president Seth David: "The most important thing facing our industry is the need for more accounting and bookkeeping professionals to understand what it looks like when the service we provide is less transactional and more strategic. This has been discussed for a few years already in concept, but I rarely see concrete applications demonstrated for how people will do this."

Accountants need to start moving in this direction of strategic advisement, according to Capstone Marketing president Jean Marie Caragher, because the demand is there: "Clients want and need more than an audit or tax return. They want more advisory, value-added services. They want help to grow their businesses and make strategic decisions."

In the end, "Firms need to evolve as the marketplace evolves," said CPA.com vice president of business development and corporate strategy Michael Cerami. "The challenge is that the partnership model makes this inherently difficult to do. I believe firms need to move to a more centralized structure for decision-making, strategy and process/workflow."

SUCCESSION STRUGGLES

Cerami's point about the partnership model leads to another issue — the fact that many of the profession's current partners are short-timers.

"The retirement of the Baby Boom generation is the most important issue our industry faces," explained Marcum managing partner Jeffrey Weiner. "Some estimates have one-third of CPAs retiring within the next 10 years. Replacing them with the talent to maintain client relationships, build new ones and cultivate a healthy pipeline of new business will continue to be a major hurdle for many firms."

"Succession planning is a tremendous issue for firms today. Many firms have not planned adequately for it and there are an unprecedented number of Baby Boomers retiring," agreed Association for Accounting Marketing executive director Lauren Clemmer. "To exacerbate the problem, leaders have often not prepared those coming up in the ranks to take over running the firm."

These awkward transitions are already leading to concerns about knowledge gaps. "With the retirement of the Baby Boomers, younger employees are now filling roles that more experienced, seasoned managers have been in for years," said the vice chairman of the Government Accounting Standards Board, Jan Sylvis. "Preserving the

perspective and transferring the knowledge about the risk environment will be key in making the next generation successful.”

WHAT NEXT GENERATION?

After relevance, the most commonly cited issue facing the profession is, in the words of Koltin Consulting Group CEO Allan Koltin, “Talent, talent, talent. It used to be growth, growth, growth, but in today’s ongoing war for talent it has become quite apparent that those who can win the war, both in recruiting top talent and retaining top talent, have a major competitive edge over all other firms. All other issues are a distant second.”

The dearth of qualified staff is having a number of repercussions. “The shortage of enough strong talent to support the growth the market is demanding will make it difficult for many firms to remain independent, either because they can’t recruit competitively, can’t retain and rapidly develop existing talent, can’t provide effective leadership succession, or can’t attract talent in new service areas where their clients need expertise,” according to StangerCarlson president Carolyn Carlson.

There were also concerns about varying levels of quality — and commitment: “We are retiring (in record numbers) the most loyal members of our profession and hiring the least loyal,” said Upstream Academy director Sam Allred. “Fewer people enter the profession each year that want to be owners. Leaders of our client organizations are retiring in record numbers and younger individuals (who are often less loyal) are assuming leadership seats.”

Not everyone agrees that the next generation are less loyal; some suggested that the profession needs to stop driving them away. “The cause of this migration away from public accounting is multi-pronged,” said Sandy Johnson, president of the National Conference of CPA Practitioners. “We have done a poor job changing with the times. The image of the CPA is stale and outdated. Millennials clearly do not want the life of the public accountant, and who can blame them?”

The loss of women is of particular concern to Keller Advisors president Rita Keller: “Not only is the profession losing experienced females in great numbers, but now even fewer are deciding to enter the accounting profession,” she said. “The vast majority of accounting firms continue to lose talented females because they believe they cannot have a career in public accounting and have a family.”

International Federation of Accountants president Olivia Kirtley stressed the importance of inclusiveness: “How the profession embraces leadership and diversity is critical to its future success. We already know that we must compete, in a fierce marketplace, for the best and brightest to join our ranks and infuse our profession with new talent. Ensuring we not only attract and retain diverse talent, but that we continue to encourage women and minorities into senior leadership, will send a strong message to young people that ours is a profession that lives its values.”

MODERN TIMES

The speed with which the future is demolishing the present was a major concern for many of the profession's leaders, who worry that accountants are "not adapting to the fast pace of change fast enough," according to Maryland Association of CPAs CEO Tom Hood. "Many CPAs are stuck in the current state and not taking time to be aware, predictive and adaptive to the changes facing our profession. This is causing them to delay making changes necessary to leverage technology, develop succession plans and next-generation leaders."

The rate at which technology changes —and the slower rate at which accountants adapt to it — was a frequent worry. "It is difficult to keep up with the pace of innovation today," said Antonio Argiz, chairman and CEO of Top 100 Firm MBAF. "More firms are moving towards cloud computing, which raises more cybersecurity issues than we have had to account for before. Also, staying up-to-date with the changes in technology and innovation in the audit field will be challenging, especially for smaller firms where upgrading can be cost prohibitive."

Technology thought leader and partner at WithumSmith+Brown Jim Bourke echoed that: "The impact of technological changes in the profession ... is changing the game and how financial information will be viewed in the future. Firms that are stuck in the traditional compliance reporting role will be forced to change or will be left behind."

Avoiding that fate will require accountants to develop greater expertise, said Confirmation.com founder Brian Fox. "The most important issue is the change that needs to take place in order for our CPAs to be effective in the future — specifically I'm referring to the need for CPAs to have a much higher level of education when it comes to technology."

SHRINKING PIES?

In the future, accountants will need to leverage technology — and every other tool at their disposal — to fend off two interrelated problems: growing competition, and the commoditization of their core services.

"The profession is facing an encroachment on its markets by non-CPAs performing services that CPAs could perform," explained growth consultant Gale Crosley. "Although we are protected with certain core services, these are in a mature state and growing slowly. Many of the fast-growth areas are those that don't require a CPA. Enterprising business people know this and are eating away at our potential. If we don't grab the markets for ancillary services, we'll become increasingly less relevant as a profession."

That competition is not just local, as AccountantsWorld co-founder Sharada Bhansali pointed out: "Just as globalization has moved manufacturing jobs abroad, accountants face the risk of a shrinking pie for their core services," she said.

And just as it isn't strictly local, nor is it strictly human. "It's becoming more important than ever for accountants to compete against software, like TurboTax, that is automating many of the jobs accountants have performed historically," warned Canopy Tax founder Kurt Averell.

The long-term consequences of automation and commoditization of services can look pretty grim. “Recent research estimates that almost half of all U.S. jobs are at high risk of becoming automated over the next two decades, and accountants and auditors landed in the top one-sixth of the most ‘automatable’ professions,” said Sageworks co-founder Brian Hamilton. “The industry has to find the balance between leveraging automation to meet clients’ compliance needs and growing a more advisory-focused book of business.”

At the same time, some were concerned that accountants might be tempted to sacrifice core values in the face of these pressures. “Trust and credibility is the foundation on which our profession exists,” noted IFAC CEO Fayeuzul Choudhury. “Exceeding expectations of what it means to act ‘in the public interest’ has to always be at the top of the profession’s ‘to-do’ list.”

And EY managing partner Stephen Howe said that his firm is reconfirming its dedication to independence: “We are keenly aware that we need to execute high-quality audits independently, objectively and with professional skepticism to serve the public interest, promote transparency and support investor confidence,” he said. “We also know that our role as auditors is to serve the public interest and provide confidence to the capital market through high-quality audits. Our shared values guide our people to do the right thing.”

THE NEED FOR VISION

These weren’t the only issues brought up — ever-increasing regulation, for instance, was mentioned several times — but they shared with most of the concerns mentioned a concentration on concrete problems, as well as a focus on the present and the near-future.

A small number, though, looked beyond the present, to wonder if the profession was ready to grapple with more eternal concerns. “Many of our industry and firm leaders do not seem to grasp the reality of the super-rapid changes that are and will be occurring,” said WithumSmith+Brown partner and prolific author and blogger Ed Mendlowitz. “The primary changes we are making are in terms of what we do and the processes and technology we need and are adopting. However, I am referring to the much greater societal changes. ... For accountants to remain relevant we need to not just keep current but to anticipate what these changes might be and then go there. We need a new type of brain power — more creative, more of an anticipatory vein, and with deliberate and concerted efforts to think and do things outside the box, which will reach beyond the comfort zone of our well-established profession.”

Taking a similarly long-term view was American Institute of CPAs’ president and CEO Barry Melancon. “To me, the most pressing issue is to stay focused on the future: What are we doing now to make sure that five, 10 and 20 years down the line, we can still say we’re doing well?” he asked. “The fast evolution of everything in business and society, driven by technology and changing expectations, means we will likely not recognize many of the things we will be doing in the future, just like what we do today is unrecognizable in many ways when compared to 20 years ago.”

The full text of all responses is available [here](#).