

# Insight

<https://www.icpas.org/information/copy-desk/insight/article/winter-2019/becoming-a-firm-of-the-future>

## Becoming a Firm of the Future

What does it take? Hint: it's not just about change; it's about exponential change. Are you ready?

By **NATALIE ROONEY** | Winter 2019

Worried about keeping up with the pace of change facing the accounting profession? You're in good company—no part of society is exempt from change, says Barry Melancon, CPA, CGMA, president and CEO of the American Institute of CPAs and CEO of the Association of International Certified Professional Accountants.

“Every firm’s clients are having the exact same challenge,” Melancon stresses in pointing out that he thinks there’s no one better suited than CPAs to help clients through the changes ahead. “The trust that businesses have in the CPA profession will become increasingly important,” he says. “A significant opportunity is coming.”

Human capital, business models, billing—all are transforming. Even the traditional organizational model is morphing from a pyramid into a diamond with fewer entry-level positions. As a result, the next generation of entrepreneurs and business leaders will expect different relationships with their accounting firms, Melancon suggests. “The new generation will want what is relevant to them, which means the firm of the future is one that is evolving.”

### **FROM GENERALIST TO STRATEGIST**

Illinois CPA Society President and CEO Todd Shapiro says the pace of change is so fast that the Society is now looking seven years out in its strategic planning initiatives rather than the standard three. “In seven years, we may not recognize the accounting profession,” Shapiro cautions. “The march toward artificial intelligence and robotic process automation has already begun. The profession is facing a real challenge. How do we make CPAs relevant and understand the value they add as these technologies advance?”

As technology makes tasks from the mundane to the complex easier and faster, analyzing and understanding data is going to become critical, Shapiro says. While some firms are hiring non-accounting professionals to conduct the analysis, there’s nothing to say CPAs can’t offer that analytical insight themselves. But Shapiro predicts artificial intelligence (AI) is eventually going to take over data analysis, too, which is why CPAs need to focus on the

next step: becoming strategists.

“It requires a massive change of mindset,” Shapiro says. “CPAs need to move away from simply executing tasks and procedures to understanding the data, providing the analysis, and becoming the strategists. CPAs are positioned to help companies add value and become more profitable. That won’t be replaced by technology.”

## FROM NOW TO NEXT

“Because technology completes tasks faster, we can now take that information and offer insight, be strategic, and give advice,” seconds Illinois CPA Society board member Brian Blaha, CPA, growth partner and industry leader at Wipfli. “If you’re a tax generalist, for example, it’s time to become a strategist and really understand the industries you’re serving.”

From his perspective, this means addressing skills gaps now. “The profession needs to find its expanded purpose in life,” Blaha stresses, which means redefining the role of CPAs and their firms.

For instance, CPA firms are increasingly offering more consultative services, which opens the recruiting and hiring process to people with different backgrounds and talents, Blaha says. At Wipfli, interested CPAs can move from tax and audit into consulting. The firm quickly realized that the desire and ability to change are valuable, so it’s increasingly seeking talent that is innovative and possesses an entrepreneurial and growth mindset.

This goes hand in hand with firms needing to rethink their revenue models. “The billable hour is likened to an Industrial Age methodology,” Blaha says. “When you narrow a person’s value to a component part of an hour, it doesn’t value their knowledge.”

He suggests firms must explore a revenue model that accounts for the time and value an individual brings along with the investments being made in technology. “Firms create their own value and intellectual property that has to be captured in a revenue model. Like any business, we must have a profit margin. The billable hour isn’t how we’ll be able to do that,” Blaha contends.

Further, every firm—every company—must be a technology company moving forward, whether you deliver professional services, health care, or widgets. For CPAs, that means examining how you’re communicating and delivering services. The key, Blaha says, is not getting caught up in using technology to simply do what you’re already doing.

## FROM MAN TO MACHINE

Peter Scavuzzo, partner and chief information and digital officer at Marcum LLP, says the technology is available now to deliver an array of new services firms want to offer clients, but the rate of change and volume is challenging humans’ ability to keep up.

Scavuzzo says harnessing data is an integral part of unlocking value for clients and the organization, but it requires a different skill set than most accounting firms have today. Optimistically, he says that adopting new technologies allows firms to create an environment where college graduates want to work. As tedious tasks are automated away, new recruits are afforded the opportunity to get into the heavy lifting more quickly, which also appeals to their hastier career goals.

“Organizations that don’t have the latest technology risk a cultural problem and it will also slow down their ability to execute long-term strategic plans and to deliver the strategic advisory services clients will need,” Scavuzzo emphasizes. “The company that figures out how to bring people and data together and unlock value for clients is the company that moves forward into the future. It’s a decision: invest and grow, or not.”

Two years ago, CPA firm Gray Hunter Stenn LLP began exploring AI, and partner Jeff McPherson, CPA, credits Shapiro for spurring the firm’s foray into it. “He scared us,” McPherson says. “He said firms are moving to AI, and you either make the transition or fall behind. We like to be out in front.”

Proving Scavuzzo’s point about technology’s impact on firm culture and staffing, McPherson notes that the firm’s adoption of AI has assisted in its recruiting efforts. “College graduates appreciate we are moving forward,” he says. “I didn’t anticipate that as a benefit.”

What’s more, the firm’s clients have shown their support as well. “They liked that we were willing to do things differently,” McPherson adds. “Their hope is that they can get better information as we are able to use the software more efficiently.”

“We wanted to not only make audits more efficient and effective but also make us more competitive and provide better service,” explains partner Erin Wharton, CPA. “We would never adopt a technology if we didn’t expect it to add value. Because we adopted the technology early, the company listened to our feedback and is adding functionality. It hasn’t transformed our audits yet, but it’s going to add value and efficiency.”

As with any substantial change, there were a few hiccups during the first year of AI implementation, McPherson admits, but this year “is getting better by leaps and bounds.”

For nearly two years, professional services firm Sikich LLP has also been researching different AI-backed service offerings, particularly robotic process automation (RPA) solutions they could offer to middle market clients. As more intuitive interfaces emerged, they caught the attention of Sikich’s CFO Ryan Spohn.

Software robots, or “bots,” can execute processes to eliminate repetitive tasks our employees have historically completed. This “digital labor” is a new low-cost alternative, and the software can handle most manual tasks with a surprising degree of sophistication, he explains.

Spohn said the firm’s clients were hearing about these RPA options but didn’t think they could afford their own. Enter Sikich. “We show clients how these solutions may help. Then we develop an offering and get them access.”

The technologies are being tested with clients in two ways:

1. As a classic managed service: rather than performing a normal hourly or outsourced service manually, the firm uses bots to serve clients more productively.
2. By directly licensing virtual workers to clients: Sikich unbundles the bots to offer a lower price point and/or a shorter license commitment. This allows clients to get access to the same value as large enterprise companies while benefiting from a solution that is in line with their needs.

“This technology will become as commonplace as pivot tables and macros,” Spohn says. “Smaller organizations can have the same benefits as large ones. It’s a game changer for the middle market.”

Ultimately, Sikich’s employees benefit too. As Sikich builds a “culture of automation,” Spohn explains that every technology partner is required to get basic levels of certification in AI and RPA. This aids them in identifying opportunities for clients and speaking proficiently about the new offerings.

Plus, “if you take the monotony out of the equation, employees can focus on more interesting tasks,” Spohn adds. “It’s a retention tool.”

## **FROM FLOUNDERING TO FUTURE READY**

“The accounting industry is positioned to truly be transformed,” Scavuzzo says. “Technology opens up an unbelievable array of services to offer to our clients. I’m excited to be in this industry. I don’t know if I’d want to be anywhere else.”

“Don’t be afraid to try new things,” Wharton encourages. “Clients know big data tools are available and expect us to dig into it. If we want to keep up with other firms and advisors, we can’t do things the way we’ve always done them.”

“It’s our opportunity to lose,” Scavuzzo adds. “If you want to be transformative, create that culture immediately and get everyone onboard.”

“Becoming a CPA of the future takes progression,” Shapiro says. “Change your mindset. Think of yourself as a strategist. Educate yourself and others. Embrace technology. Help your people embrace the changes.”

“Remember, the end game is becoming a strategist,” Shapiro continues. “The data side is important, but the interpretation and strategic insight will be valued. If you focus on that, you will have a career—and a profession—that lasts a long time.”