



**RACE
AGAINST
THE MACHINE**



As the need for number crunchers is swallowed by new technology, future accountants must rebrand themselves as consultants able to interpret business symptoms and prescribe appropriate action, says Annie Makoff

Businesses are becoming infinitely more complex thanks to the speed of technological change and consumer demand. Significantly, there's been a gradual change in the constituency of UK PLC. There may still be traditional businesses - trades, high street retailers, restaurants - but according to Nick Lawrence, CEO at NWN Blue Squared, "we are no longer a nation of shopkeepers". Instead, we are in an era of "creative, multi-purpose organisations" which are having to adapt to changing markets with the expectation that their advisers and accountants will keep up.

And adapt they must, warns James Chalmers, UK head of assurance at PwC, because accountancy firms that are not "constantly adapting, innovating and disrupting themselves" will be "disrupted by others" instead.

Innovating and adapting to make change work for chartered accountants is central to ICAEW's research project, Tomorrow's Practice, which recognises that the market is already changing due to regulatory, technological and economic pressures.

A recent survey by BrightHR revealed that accountants are all too aware of the changing nature of their profession. Two-thirds admit to being apprehensive about change in their own workplace. Some 17% said the increased burden of compliance and balancing strategic HR demands was a major area of concern for their clients, while 62% said it was a heavier burden than five years ago.

According to Hywel Ball, head of assurance at EY, the speed of change is "accelerating at an impressive rate": he believes the accountant's challenge will be to help business leaders "respond to that speed of change". "There will be more emphasis on non-traditional financial reporting by utilising big data in order to interpret it meaningfully," he says. "The accountant will still be viewed as custodian of reporting integrity, but they will have to use much more sophisticated, analytical tools."

At the same time, the value of compliance is likely to diminish, points out Michael Davis, MD at HW Fisher & Company: "No-one says, 'you did such a great audit, can you do it again?' It's a declining market and has been for a while."



If they won't move with the times, Davis warns that accountants could get embroiled in a downward spiral of "just doing compliance". He predicts the profession will be split between those who just do compliance - and fail - and those offering a wider range of services.

But Lawrence insists it's no longer enough "just to be an accountant". Clients expect their accountants to offer broader business advice and help them understand the meaning behind the numbers, he says, not just the numbers themselves. "We are essentially business advisers, not number crunchers, and that is going to get more prevalent in the future," says Wisteria director Andrew Millet. "Clients see us as business protectors."

Millet maintains that while the concept of accountant as protector is not new, it comes with a warning, particularly when dealing with smaller companies who may over-rely on their accountant for all business matters.

"These responsibilities can't be passed on to the accountant," Millet insists. "It is the responsibility of the accountant to make a clear distinction between decision-making and their own advisory role."

Yet PwC's Chalmers believes it is precisely the transition towards decision-making as a core advisory function that makes it an exciting time to be in the profession. The accountant's role is increasingly focused on helping company decision-makers reach sound business judgements.

And this is where automation comes in: as technology takes over basic accounting functions, more clients can use the software, possibly rendering the number-crunching aspect of the accountant's role irrelevant. Judgement plays a crucial role. "If you think about a minor health problem, the majority of people would self-diagnose online," Chalmers explains. "But with really serious issues, they'll seek the advice of the professional. It's the same with accounting and technology. Yes, basic accounting functions are now automatic, but where is the judgement? You need a professional to help you interpret the data."

David Smith, futurologist and chief executive at Global Futures and Foresight, sees organisations taking on the tools themselves and giving the results to the accountant to comment on. This day-to-day volume of work now being handed over to software products will disappear from the accountant's revenue stream, he predicts. Advisory consulting and individual expertise, anything that requires judgement - such as scenario planning, forecasting and reputation management - will be mainstays.

"Reputation management in particular is going to be a huge growth area," Smith continues. "There will

inevitably be a lot of crossover with lawyers, marketers, insurers and accountants in that whole space of cyber threats, security, risk and fraud, so it's going to be a huge area."

Sole practitioner Simon Young of Aysgarth Accountants believes there will be a better link-up between online bookkeeping and specialist accounting software in the future: "Software providers will have to either allow their package to talk more easily to other packages or develop fully-integrated solutions. This could potentially challenge a lot of accountants as clients could technically do everything themselves."

But Smith believes that automation is a much bigger issue than client-friendly software packages. We are entering a period of "dramatic change, which comes in waves driven by technologies", he says. For the first time, it's hitting managerial and professional classes rather than junior, low-level staff. "While general computing made clerical work redundant, machines are entering professional levels, where lawyers and accountants are severely hit - or enhanced, depending on how you look at it."

Smith insists it is the nature of technology to become smarter. Increasing intelligence built into systems allows them to behave more cognitively, thanks to artificial intelligence and software robotics. Machines don't just replace humans, he says, they can do things better.

While Fiona Czerniawska, founder of research provider Source Information Services, describes it as a "race against the machine", with computers doing more of the mundane work in the future and accountants "upping their game" to focus on analysis, insights and interpretation, Smith believes automation will create a broken pyramid structure resulting in higher productivity levels.

"Rather than junior-level staff engaging in traditional lower-level activities, machines will take over. The volume of work therefore diminishes. So you get a broken pyramid structure. If you take the bottom away, you end up with a smaller triangle, albeit one of higher value."

But machines taking on work hitherto done by junior-level staff could cause potential issues among graduates looking to gain experience. Learning on the job will become defunct, Smith argues, so how do you gain experience if machines are doing it all?

Chalmers sees it as a non-issue: with the automation of low-level tasks, graduates and new starters will be able to work on the more interesting aspects of the role straight away. Training, then, is likely to focus around "immersive learning", as Smith believes, to enable new recruits to engage with clients, while providing a basic knowledge of

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accounting and law with a focus on big data and technology. Lawrence believes there will be a need for a “more-rounded, business-focused accountant”, requiring broader skill sets such as in-depth understanding of business strategy and planning, marketing, big data and customer journey analysis.

Millet agrees: “Accountants will need to understand the complexities around their clients’ businesses more than ever before, as well as the market their clients are operating in.”

Soft skills, too, such as building client relationships and possessing good communication skills, play a key part in this. In fact, Hilary Lindsay, deputy president at ICAEW, predicts that such client-facing roles could be considered a specialism in their own right.

“There will always be a need for specialists in areas such as tax, VAT and payroll,” she says. “However, there could be a need for others who relate to the client - who know what the client is talking about, who can identify the client’s issues and needs and then find the right members of the team to do the work.”

An understanding of digital marketing will also be important, Millet maintains, with online marketing responsible for “the best part of 20%” of revenues such as pay-per-click services, websites and SEO. Accountants will be increasingly called upon to help clients analyse their online marketing data, especially those with an ecommerce element to their business.

“Gone are the days where only a few companies touched ecommerce. Pretty much every company has an ecommerce element to their business and that will increase over future years,” he predicts.

So with these new skills and the increasing role of automation in the profession, what will the demands be on the accountant in the future?

According to sole practitioner Kara Evans, this generation is becoming increasingly focused on instant gratification, with future MDs, sole traders and CEOs wanting to see likes, shares, comments and results instantly. “As accountants and bookkeepers, we’re going to have to adapt our ways so we are available with the results, when

CASE STUDY

Responding to a changing market place, Menzies LLP – a top 20 chartered accountancy firm – repositioned itself in January 2016 as a business consultancy for SMEs, specialising in eight key sectors including leisure and hospitality, manufacturing, retail and logistics.

Shifting focus away from purely compliance services, Menzies LLP now works closely with clients at an advisory level, focusing on HR, payroll and outsourcing as well as finance and accountancy.

“If you roll forward 10 years, people aren’t going to want purely compliance services.

More and more of what we do has become commoditised, with cloud accounting and online filing,” says Julie Adams, MD. “When we spoke to clients, they told us they want accountants to understand their business and demonstrate sector specialism rather than being a jack of all trades, master of none.”

Technology was also a key driver, with hitherto core accountancy functions being taken over by software packages.

“But the one thing technology can’t do is build relationships,” Adams explains. “It’s an internal and external brand, you have to live and breathe it. So while accountancy services underpin what we do, we’re now about consultancy and advisory services and building relationships.”

they want,” she says. Davis agrees - the immediacy of services is a huge trend right now. Information is expected on demand at our fingertips, via digital devices or mobile apps.

“Technology is going to change everything we do. You can see it already, whether through the integration of systems or scanning receipts on mobile phones to programmes. Accountants need to be familiar with these processes and they need to be constantly improving communication methods with their clients.”

Yet Davis urges caution, not just because of the 18-hour day, which could inevitably result for those unable to switch off from client demand, but because of “thinking time”. Accountants can be “so driven by the immediacy of it all”, with the expectation of an immediate response, they may not give themselves enough time to think it through.

For Chalmers, it’s the ability to balance speed with accuracy: “Do I have to be 100% right in my response? Or might the client just need a best guess quickly?”

Regulation too, is creating its own demands on accountants, but with it, new opportunities. According to ICAEW’s Lindsay, accountancy practices have to bear the “significant weight” of compliance while “fighting for a share of a contracting audit market”, due to increased audit thresholds. Yet changes in public sector audit regulation and legal services are now opening up new markets.

“Individuals and organisations will need help in understanding the new pension regulations,” she predicts. “And there are now more opportunities to provide assurances services to the public sector, so accountants need to respond to changes in the external landscape and in so doing, identify ways of adding further value for their clients.”

Part of this is about being proactive for competitive advantage, says Chalmers. “The tradition is that the CEO asks their accountant questions, but what about the accountant identifying interesting trends and patterns for the future? If you don’t move quickly, then another company will.”

Lawrence adds: “The days of the traditional, local accountant living off tax returns are gone. It’s a case of adapt or die: finding a niche, providing a broader service and being agile and responsive to a wider range of client business needs as the key to survival.”

Young agrees. “The future will see the accountant really cementing their position as a trusted, independent advisor offering commercial judgements,” he says. ■