

Creating the Accounting Workplace of the Future:

Address the Top Challenges of Managing Your Firm Today

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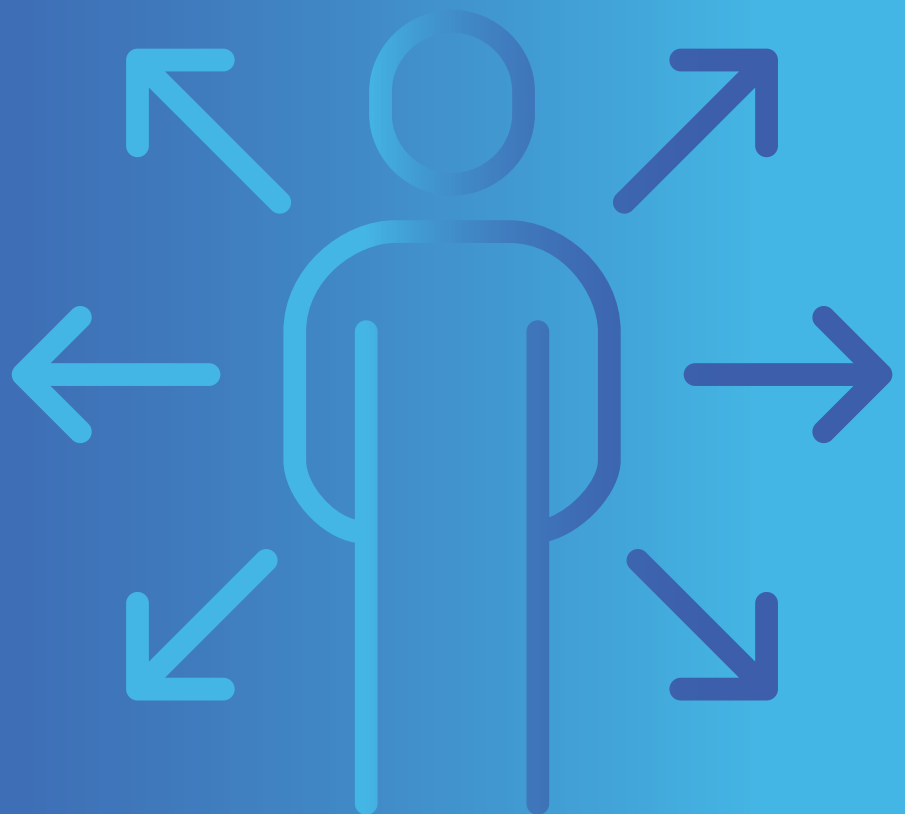
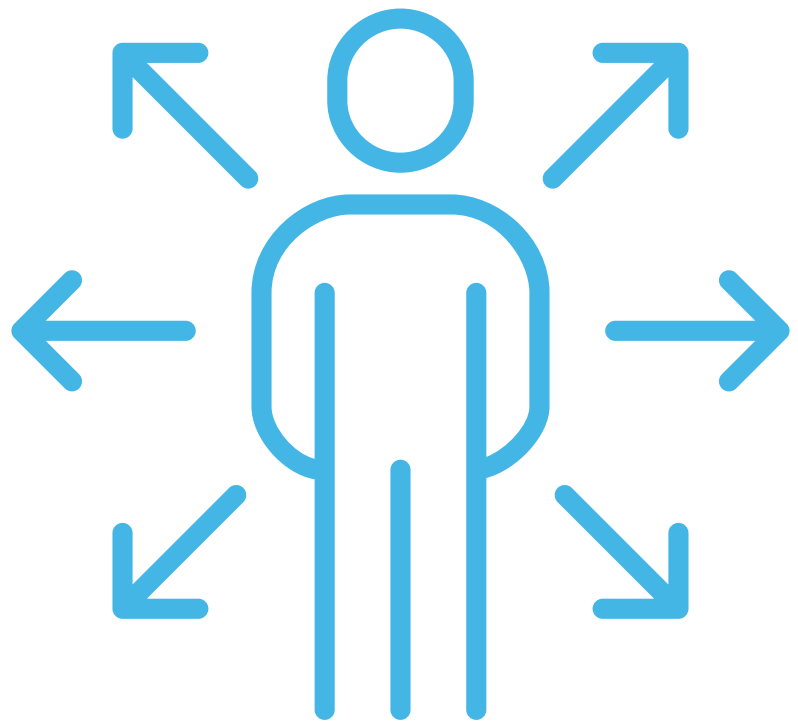


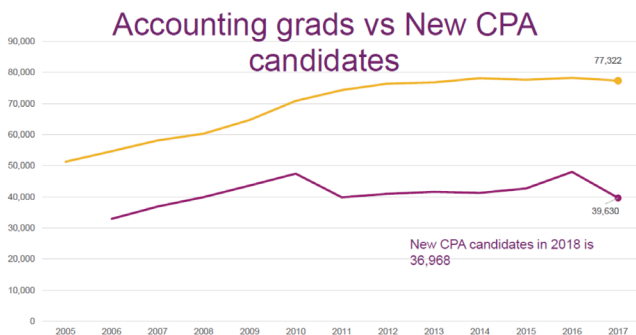
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Technology and the talent gap

The unprecedented accounting talent shortage is a top concern for all accounting firms with non-partner professional employees. While the number of accounting graduates is up approximately 50% from 2005 to 2017, the number of CPA exam candidates has remained flat (at around 40,000) for over ten years.* This flat supply of candidates makes it hard to staff the positions that are the heart and soul of a CPA firm – promotable associates, senior associates, and managers.



In response to this challenge, many firms have gotten creative. Today, they are deploying a range of strategies to continue to grow and thrive in the midst of the talent drought, including:

- Increasing staff and team efficiency, and effectiveness on engagements
- Hiring remote, seasonal, and non-credentialed employees
- Leveraging modern technology as a competitive advantage
- Using offshore outsourcing for some engagements
- Increasing staff salaries and benefits
- Eliminating unprofitable engagements and replacing them with more profitable work

While these approaches can play a large role for accounting firms, they also have long- and short-term implications on firm culture, risk management,

and profitability. In this white paper, we'll focus on the impact of technology on talent – today and in the workplace of the future.

When asked to identify their top three challenges, respondents in the 2019 Accounting Firm Operations and Technology Survey identified “recruiting and retention” as the single most common challenge (28.8%), as shown in **Figure 1** on page 4. In fact, this concern ranked among the top three in every category of firms with more than ten employees. It was the top concern cited for both medium-sized firms with 11-50 staff (40.6%) and large firms with 51-100 staff (50.0%), and it was tied for third (with “raising profitability”) among extra-large firms with 101+ staff (28.1%).

The challenges to recruiting in this market are only getting more acute. While the top 100 firms have enough employees to create strong internal training programs, smaller firms lack the scale needed to create these programs internally. Recruiting is most challenging at firms with between 11-50 and 51-100 staff, where recruiting and retention was cited as the top concern by double-digit percentages at 40.6% and 50.0% respectively. The survey also reported that the top technology challenge cited by survey participants was “workflow and efficiency”.

How can firms address these challenges? While they have many different options, technology is at the top of the list for many, offering practical ways to schedule and perform work more effectively. Today's technology solutions can automate the time-consuming process of exchanging data between different tools, decreasing the amount of “busywork” requiring human attention and increasing the capacity of staff to perform higher-value tasks.

*Data from the AICPA Examination Division

The workplace of the future

What Are the Top Three Challenges of Managing Your Firm Today?

Top five responses overall and for segments with more than 10 employees



2019 Overall (All Respondents)

1. Recruiting and retention (28.8%)
2. Raising profitability (25.3%)
3. Cybersecurity and data privacy (25.3%)
4. Attracting new clients (22.7%)
5. Offering value-added services over and above compliance offerings (22.7%)



Medium-Sized Firms (11-50 staff)

1. Recruiting and retention (40.6%)
2. Raising profitability (26.1%)
3. Cybersecurity and data privacy (24.6%)
4. Attracting new clients (23.2%)
5. Driving/implementing change (21.7%)



Large-Sized Firms (51-100 staff)

1. Recruiting and retention (50.0%)
2. Offering value-added services over and above compliance offerings (30.0%)
3. Raising profitability (26.7%)
4. Identifying opportunities for practice improvement and cost savings (26.7%)
5. Communication in the firm (26.7%)



Extra-Large Firms (101+ staff)

1. Cybersecurity and data privacy (37.5%)
2. Driving/implementing change (31.3%)
3. Recruiting and retention (28.1%)
4. Raising profitability (28.1%)
5. Offering value-added services over and above compliance offerings (25.0%)

Figure 1: Top Challenges Facing Firms Today by Size

Change is hard – especially in the accounting profession, which has seen its share of technology trends come and go over the years. Firm leaders simply may not see the need to shift tried-and-true work processes to experiment with the latest tools and technologies, preferring instead to stick with a single software publisher's suite of applications.

But the advent of cloud-based solutions is forcing the industry to rethink the old ways of doing business. These solutions (such as Microsoft Office 365, Microsoft Power BI, Google Enterprise, and Salesforce) have enabled a new application strategy: using integrated, best in breed solutions. That's largely because these tools have strong interface tools for programmers – application program interfaces, or APIs – that make it easier than ever to develop custom interfaces and data integration capabilities. For example, firms can use APIs to select, assemble, and

integrate their own “tech stacks” – a truly custom suite of solutions that meet the specialized needs of a firm and its processes.

These capabilities are only getting more powerful. API-focused efforts such as the Open Data Initiative (led by Microsoft, SAP, and Adobe) are seeking to facilitate even easier data integration and reporting across multiple platforms in the future.

Will your firm create its own, custom tech stack using open solutions? Increasingly, the question isn't if you will do so – but when.

The potential benefits are powerful. By further automating and customizing their business processes, firms can seize a rare opportunity to not only optimize their own business processes and tools, but to advise their clients on how to do the same.

¹Source: 6th Annual Accounting Firm Operations and Technology Survey, ©2019 Adept Practices, Inc., available at CPATrendlines.com.

Automation is a key component of the workplace of the future. What trajectory will accounting firms' pursuit of automation take? As **Figure 2** shows, process tracking is only the first step. From there, expect firms to begin using rules and outsourcing for simple tasks, moving on to more robust automation reinforced by learning – and then, ultimately, true AI-driven reasoning. In the not-so-distant future, more work – and more sophisticated types of work – will be automated. The accountant of the future will do little (if any) data entry, focusing

instead on managing the real-time quality of a continuous process, performed by both humans and machines to serve clients.

In this environment, firms that have not adopted tools with strong APIs that can be integrated into a coherent application stack will struggle to progress to the next steps – some of which are already beginning to appear in leading-edge workplaces today.

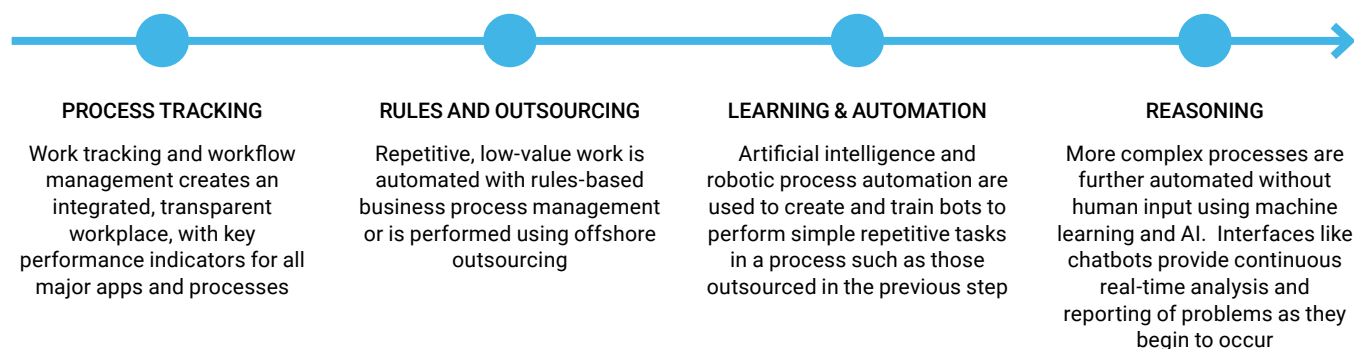


Figure 2: The future workplace is likely to rely on this continuum of emerging work tracking and automation technologies

Measuring what matters to your people – with analytics

How can firms deliver coaching in near real time, so that their people don't have to fail at a task in order to learn what to avoid? This is a key aspect of the workplace of the future, and data sets will play a huge role in making it a reality. Just as important, data can be used to help keep top talent challenged, learning, and happy – through real-time performance insights.

Advanced, integrated, workflow management systems will be the vehicles for these data-driven insights. Scheduling, client request management, portal, workflow tracking, deep analytics reporting – these are all tools for reducing busywork and providing enhanced accountability, flexibility, and transparency to the entire team, and they can all be handled by workflow management systems.

Another important piece of the future puzzle is how firms can use data sets to deliver coaching in near real time. It's also critical that you keep your top talent – your stars – challenged, learning, and happy, and the best way to do that is to provide real-time insights into performance. **Figure 3** shows a dashboard from XCManalytics as a Service, which summarizes tax return tasks with key operational data, including number of jobs by status, comparative statistics on time required to perform different types of tasks compared to the prior year.

As these statistics clearly show, the review process at this firm has bogged down when compared to the prior year's actual performance, especially for unranked and difficult returns, and may indicate that the quality of the return preparation is also down compared to the prior year.

It is said that “what gets measured, gets managed,” and accountability and transparency are an important part of any strategic initiative. The simple task of tracking and reporting on performance compared to goals makes it clear to everyone in the process how their performance measures up against expectations, and keeps the entire team accountable for their results.

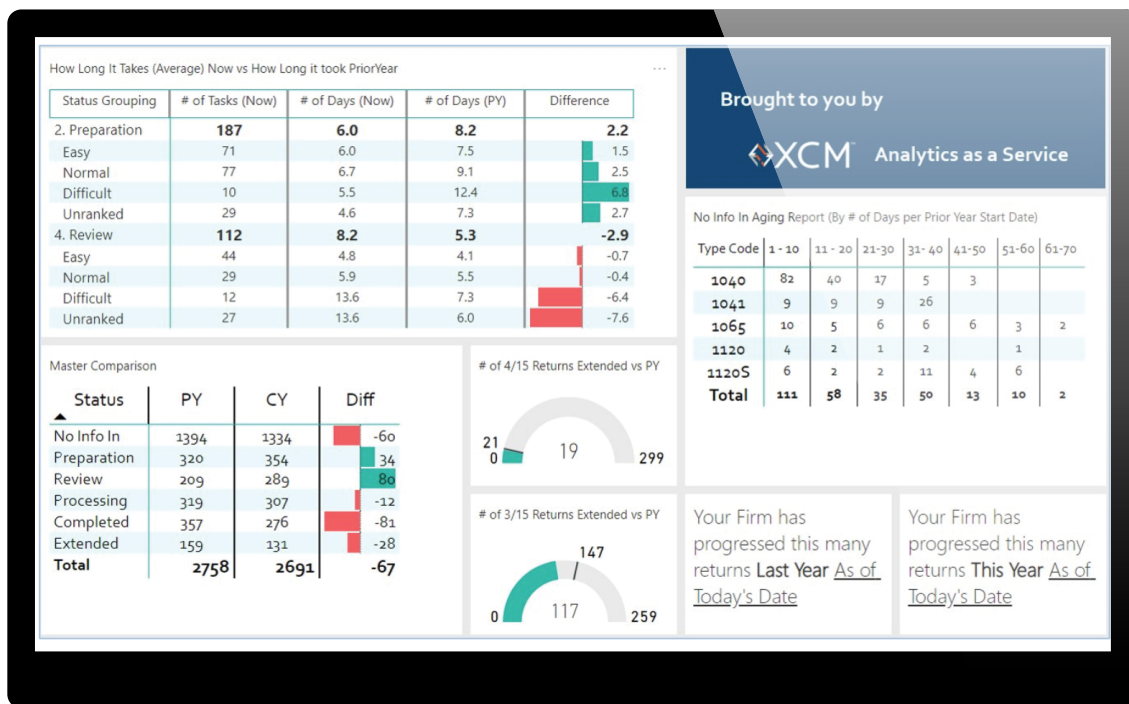


Figure 3: Dashboards with deep analytics provide real-time, actionable practice intelligence to your team. (Images © 2019 XCM® Solutions)

A good example of this can be found in **Figure 4**, which shows an interactive business development dashboard from XCM Analytics as a Service. This tool provides partners with real-time details on how they are performing on their annual business development

goals. By providing transparent, real-time reporting against goals, it is easier to make and justify decisions about who should lead business development efforts for a practice area, or who should be promoted from senior manager to equity partner status.



Figure 4: A business development dashboard keeps partners accountable for achieving sales goals. (© 2019 XCM Solutions)

The seeds of tomorrow's accounting firm are being planted today

Automation is being discussed and debated in virtually every major industry, but few are more likely to benefit from automation more, and more quickly, than those in the accounting profession. That's because automation is best applied to repetitive tasks like those found throughout accounting processes. This evolution will undoubtedly have an impact on accounting staff.

At minimum, the accounting workplace of the future will almost certainly rely more heavily on automation than is even available today. Practices used today by leading firms – such as automated integrations between best-in-breed applications and comprehensive performance analytics – will become the standard for all applications used by firms. Just as the 10-key adding machines and typewriters of the 20th century have largely been eliminated from most firms, the work of the future accountant may not incorporate many of the tools we use today. The tools of the future will incorporate technologies like blockchain, robotic process automation, artificial intelligence, and machine learning – and they will change our work in ways we cannot yet comprehend.

Firms looking to compete in the workplace of the future need tools which will help them thrive today, while also positioning them to take advantage of the new, data-driven future.

What can firms do today to prepare for this future, and to make sure that they're well prepared to attract and retain the talent they will need?

Here are three of the best places to start:



Adopt real-time cloud-based workflow tracking systems with strong APIs so that you can create optimized processes and increase your firm's capacity by doing work more efficiently and effectively



Assemble an integrated stack of cloud-based best in breed applications that meet your firm's specific business process needs today, that can be integrated with other tools in the future



Create accurate, integrated, real-time performance analytics so that your entire team can know where they stand against their goals on a continuous basis

Regardless of where your firm is on its journey to a more data-driven and automated firm, there is a pressing need to begin the journey immediately. The rate of technological change will continue to accelerate, and firms who ignore the march of automation may be overtaken and made obsolete sooner than expected.

About CPA.com

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CPA.com's partnership with XCM, a leading provider of workflow automation, provides CPAs a proven partner that can expertly consult on business process improvement to achieve productivity enablement via workflow automation. XCM has helped more than 34,000 users realize the value of automating workflow.

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About XCM

[XCM](#) offers a complete productivity enablement and workflow platform that empowers you to manage all types of work— within all departments, across multiple offices.

It's an open platform system that works horizontally across tax, accounting, finance, audit, and operations applications. XCM manages millions of processes per year, enabling professionals to complete more work, in less time, with greater quality. Our device and browser-agnostic cloud solutions offer real-time anywhere, anytime access to work.

Though we integrate with several popular tax and accounting packages, the real payback is through your greatest asset — your people. XCM is the only productivity enablement and workflow platform endorsed by the AICPA, and complies with the controls and applicable criteria of the AICPA Trust Service Principles.

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