Voices Stop fighting the war on talent

By **Daniel Hood**
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Over the course of the several years that the accounting profession has been struggling with staffing issues, I've noticed something of a Freudian slip in the way people describe the situation: More and more, I hear people refer to the war *on* talent, as opposed to the war *for* talent.

That's a pretty telling prepositional switch, and I don't think it's just a mental typo. It's not uncommon to hear managers and partners complaining with surprising bitterness about Millennials, or to hear Millennials do the reverse, or to hear conference speakers rile up an audience by playing on inter-generational differences.

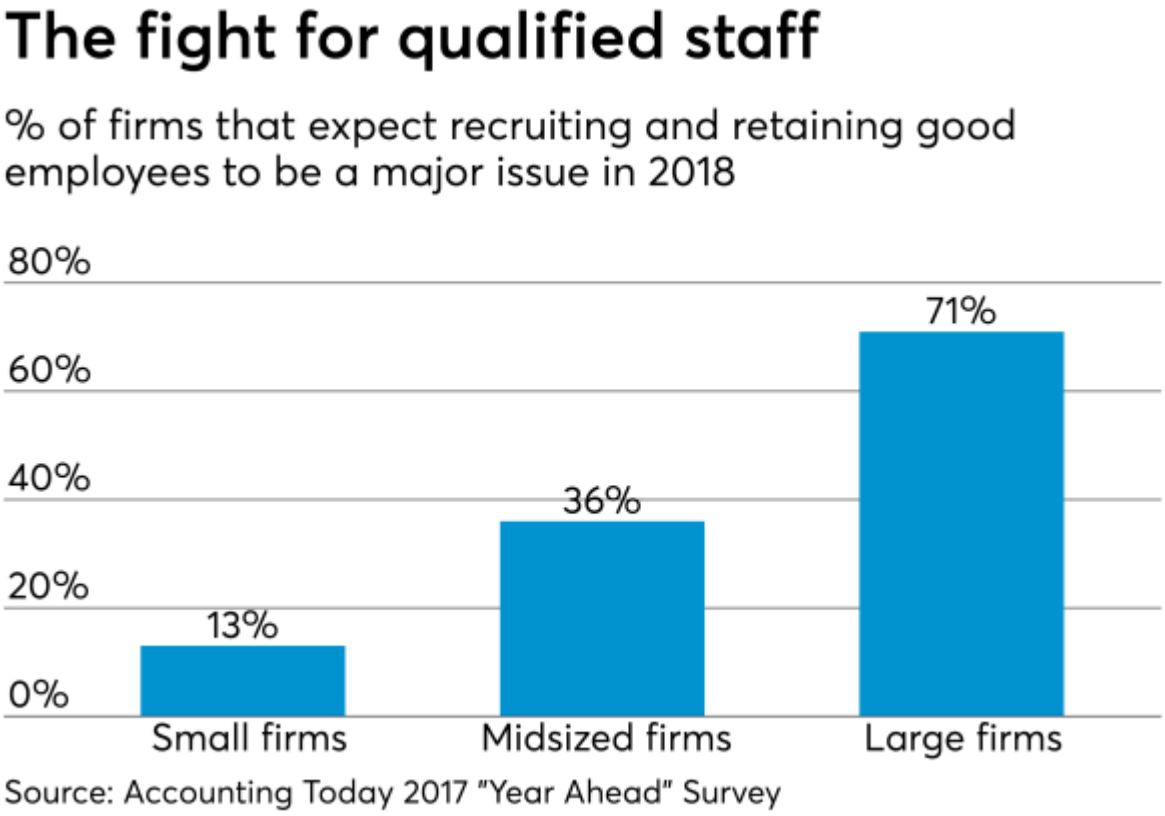
It is a reflection of the frustration that today's cadre of managers and partners feel, both at the sheer difficulty of finding and keeping good employees, and at the expectations those employees bring on board with them. They want and expect levels of managerial involvement, feedback, mentoring, flexibility and empowerment that the profession has simply never provided to young accountants.

That fact alone explains much of the unhappiness of managers and partners — they never got this kind of attention from their bosses, and it's easy to see why it would be galling for them to have to provide it. It isn't fair, really — when it comes to real leadership and management, the accounting profession has gotten away with short-changing its members for decades. The same Baby Boomers and Gen Xers who were told to keep their heads down and pay their dues for a once-a-year review with a manager and the distant hope of a shot at the possibility of

maybe being considered for partner are suddenly expected to spend vast amounts of time delivering the kind of intensive management they would have loved to receive.

But just because it isn't fair doesn't mean they shouldn't do it.

At a very basic level, the profession needs to draw in these younger employees to staff the engagements that will pay for the current wave of Boomer retirements, and ensure the viability of firms going forward — and the cost of that is higher investment in management.



Beyond that, though, it's important for firm leaders to realize that this investment will pay off in employees who are motivated, talented and devoted. Recently, I saw workforce consultant Bruce Tulgan congratulate Millennials on these two facts: "You'll be the most high-maintenance workforce in history — but you'll also be the most high-performing." Tulgan is the founder of Rainmaker Thinking, a consultancy focused on intergenerational workplace issues, and he's one of those speakers who likes to play the generations off against each other during his presentations — but he then uses that as a powerful, teachable moment to explain why what the Millennials want is, first, perfectly reasonable, and second, worth spending time on because it will generate more valuable employees.

Make no mistake — no one is suggesting that this investment will be easy. "Leaders, managers and supervisors don't do enough leading, managing and supervising," Tulgan explained, and they need to be prepared to spend much more of their time in all three of those areas — time that their predecessors would have devoted to client work and billable hours.

They'll more than make up for those billable hours, though, through rising employees who can do the work more efficiently with new technology, and who are prepared to expand their firm's capabilities far beyond their current scope. By spending the time to properly lead, develop and invest in the next generation (and the one after that, and the one after that), today's managers and leaders can build much stronger firms and a stronger profession for the future.

Remember, the war is *for*, not *on*.

Daniel Hood

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As the new year approaches, *Accounting Today* asked a panel of industry thought leaders and experts to paint a picture of what accountants can expect from the next 12 months in terms of important trends, big surprises and key initiatives to undertake.

What trends should accountants keep an eye out for in 2018?

Jim Boomer (CEO, Boomer Consulting): The first is changing business models. Every conference, article and webinar talks about becoming more advisory and consultative. This isn't something that's coming; it's already here. And the pace at which firms will transform is only going to accelerate from here.

Angie Grissom (president, The Rainmaker Companies): Accounting firms are getting even more serious about growth and competition. We are seeing firms increasing investment in programs relating to staying competitive. This includes increasing their footprint nationally and globally through talent and, in some cases, new physical offices. This includes hiring non-CPAs in roles such including business development, consulting and even firm management.

This is no shock as we see the move towards advisory services in the industry. Firms must compete in a new way with new talent and an increased focus on accountability. In a growth survey that Rainmaker completed this year, the focus on accountability came as the top benefit. Firms are finally starting to focus on accountability and understand the impacts a culture of accountability can have on retention, service, profitability and growth.

Rita Keller (president, Keller Advisors): I am becoming more and more concerned about how smaller firms and sole proprietors are reacting to the speed of change needed to keep pace. So many are aware that change is needed but seem so bogged down by the day-to-day workload that they are almost to the point of seeing no way out. Many of us (consultants, media, etc.) could see this coming but I think the ability for small firms to change declines with each passing year.

Steve Mankowski (president, the National Conference of CPA Practitioners): As we head into 2018, I believe that one of the primary trends is cybersecurity. Accounting firms continue to get breached at an alarming rate due to the personal identifying information that we maintain within our tax software. With input from the IRS Security Summit, the tax software companies

have implemented password protocols, including required changes every 90 days. However, most practitioners have several years of tax software on their systems and have not applied the same security measures as they must for more current software.

Many practitioners are still under the belief that, "I'm a small firm and the bad guys won't target me." This can be no further from the truth. The hackers don't know how much data is on a practitioner system and really don't care. They simply download the data and sell it. In fact, smaller firms that have fewer security measures are easy targets. On the other hand, if there are too many deterrents, cyber-criminals simply move on.

Erik Asgeirsson (president and CEO, CPA.com): I think 2018 is going to be the year that the buzzwords we've been talking about in the past couple of years – artificial intelligence, machine learning, blockchain – will lead to some serious products and beta trials that will impact the profession.

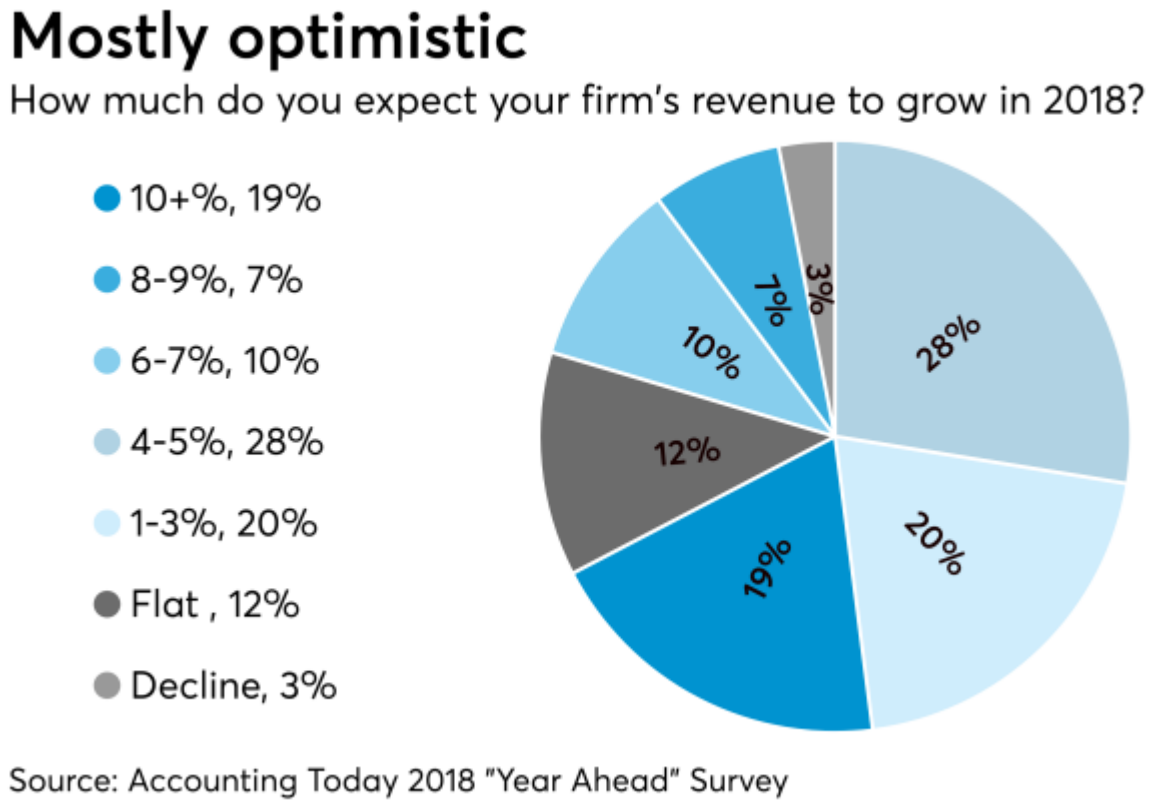
Gary Bolinger (president and CEO, the Indiana CPA Society): CPAs will need to pay close attention to increasing demands for reporting on non-financial information — the kinds of information that really describe the ability of an organization to create value over the short and long term. Clients, employers and other stakeholders are increasingly interested in non-financial information and the profession must respond in order to maintain relevance. If clients and employers aren't asking for it, the professional needs to be aggressive in explaining the value of that kind of information. Intangible assets of the S&P 500 were 17 percent in 1975 and 84 percent in 2015. It's a trend that [profession simply can't ignore.

Joel Sinkin (president, Transition Advisors): For larger firms it is the addition of new niches. We have seen firms acquiring cyber-security departments, human resources niches and other nontraditional services that those firms are currently not offering. This includes embracing a future where IT reduces many traditional accounting and tax services, and consulting becomes the key to attracting and retaining clients and revenues. That said, one way to offset the one-stop shopping strategy is to become highly specialized in one or two in-demand areas and market them accordingly.

Keller: I also expect to see more and more firms hire non-CPA track people. Bookkeepers and paraprofessionals are happier doing the outsourced accounting/controller work and do not have expectations of becoming an owner some day.

Boomer: Also, the pace of change in tech in technology is also accelerating. Firms should pay attention and seek to understand artificial intelligence and blockchain. Considerable investments in both are already happening at vendors, in larger organizations (including CPA firms), and at the American Institute of CPAs.

Mankowski: Blockchain is an entirely different trend. Blockchain is the latest buzz word to enter accounting and if it gets implemented correctly, can provide audit details that have never been seen before – on both sides of the transactions. Not only will an auditor be able to verify the dollar amount of a transaction, but they will also be able to verify the other parties involved in the transaction, and then trace ownership back to the source documents. This revolutionary technology could end up as a major deterrent to fraud or other types of theft due to its multi-faceted audit trail.



What do you think will be the most surprising thing for accountants in the coming year?

Sinkin: How age is catching up to them. We are reaching the heights in the Baby Boomer aging scenario, and while the focus has been on partners who seek to slow down, we need to

widen our scope to include key staff members also seeking a role reduction. Asking key staff and partners how long they expect to work full time, instead of asking them when they want to retire, may unveil exit timings the firm wasn't expecting. Clearly, mandatory retirement impacts this as well.

Asgeirsson: To me, it's how quickly client expectations about service will change once we begin to see more mature automated solutions in the marketplace. Firms are going to be experiencing much higher client expectations.

Bolinger: Technology will outpace any expectation that most CPAs have. Technologies like artificial intelligence and blockchain are just two examples of technologies that will be a major factor for firms and companies of all sizes much sooner than most professionals expect.

Boomer: The biggest surprise for many firms will be how quickly the emerging trends and technology they've been hearing about in the last year or two will come to fruition. The pace of change is becoming exponential.

Grissom: Continued consolidation of some firms and new competition emerging. Firm leadership must continue to focus on retaining their best talent and clients, and this is becoming more difficult. We are seeing firms make concerted efforts to expand service offerings in an effort to differentiate themselves from others. We are also seeing firms start to personalize the career paths for their individuals in order to create the best environment. This may include specialized training and development, flexible working arrangements and unique perks and incentives.

It all comes down to communicating with clients and team members in an impactful and meaningful way and making course corrections as you move along. This creates a strong culture of service (both internal and external) in a firm.

Keller: Not sure if it will happen much in 2018, but with all we are reading and hearing about AI and the predictions that accounting is something that robots will take over, I imagine we will see a decline in college students majoring in accounting. Why focus on a career that might be phased out in the not too distant future? It appears in the near future the accounting profession will have a great need for people with data analytics skills and a need for skilled business consultants - not so much need for compliance skills.

Do you expect anything to get radically worse for accountants? Radically better?

Bolinger: Opportunity will be better than ever. The profession has so much to offer. But practitioners must prepare for meeting expectations and understanding needs that that are not clearly articulated. New skill sets must be cultivated and practitioners must be innovative in responding to a rapidly evolving business environment. There is a huge need for the profession to ask provocative questions and seek unconventional solutions.

Boomer: Whether things get better or worse depends on your mindset. If you have a growth mindset, you're willing and taking action to transform yourself and your firm to prepare for what's coming. In that case, things will be radically better than what we started with.

However, if you stick with what you've always known and done, it will likely get worse.

Keller: In 2018, I think the larger firms will continue to do better. In 2018, I believe that many of the smaller firms will continue to struggle with the decision of what to do about the future of their firm.

Asgeirsson: CPA firms over the past decade have been fortunate to have two kinds of years – good ones or very good ones. And I don't think that's going to change soon. I do think that opportunities will get radically better for firms that embrace change, specialize and figure out a path to high-end advisory services. While I wouldn't say things will get radically worse for those firms who stay the course, automation, artificial intelligence and other innovations will have an impact on growth prospects for traditionalists down the line.

Sinkin: Succession for the medium to larger firms will get measurably more difficult. For one, the valuations of those firms will continue to trend downward. For example, take firms that are generating between $3 million to $15 million in annual revenues who may have succession issues. Then ask yourself how many firms in their local area would be big enough to absorb them while also having the capacity and skill set to step into the shoes of the retiring partners? The answer is not many, if any.

Too many firms lack the talent on their respective "benches" to execute an internal succession plan for all their soon-to-be-retiring partners, and are forced to look externally for a solution.

As a result, supply will outstrip demand and it will become an even greater "buyer's marketplace."

Conversely, what will get radically better for the profession next year and beyond is technology. Applications and systems what were once perceived as unaffordable for smaller firms have and will continue to become the rule rather than the exception for those smaller practices.

Mankowski: I don't know if I would say that anything would get radically worse or better for accountants. However, the timing of tax reform is an area that could impact tax season for accountants. Specifically, just with the first rounds of tax reform getting released, clients have already begun asking questions about the potential impact on their taxes. This will only increase once tax reform is passed. The result to accountants is that our already time-compressed tax season will get more compressed as we will be spending time answering additional client questions.

Accountants should see this as an opportunity to meet with clients, after tax season, to discuss the impact while not in tax season. This should also create a billing opportunity for accountants who perform this service for their clients.

Therefore, tax reform will make things worse but also create some revenue opportunities for accountants.

Grissom: Those firms who are lagging in the adoption of technology and are "change resistors" will continue to struggle and the pace of this struggle with increase as those who embrace technology benefit. While there is a cost associated with investing in new software and implementing and learning new processes, the cost of falling behind is greater. So, staying in sync with what your firm, clients and team need will become radically worse for those who have their heads buried in the sand and will become radically better for those who are researching, investing and adopting technology to run their practices more effectively.

What one piece of advice would you give firms going into next year?

Mankowski: The primary piece of advice that I would give to firms going into next year is to stay abreast of the changes in technology. The added emphasis on cloud-based technology will continue to allow smaller firms to have the same access to technology as large firms, without incurring large capital outlays. As firms shift to the cloud, there is an immediate improvement in the security of our data — even though, conceptually, that may be counterintuitive to some. Regardless, firms need to realize that they are ultimately responsible for the security of client data. Cybersecurity is still an issue that many firms still have not taken seriously enough. The accounting industry is under attack for the personal data that we maintain and we must improve our level of diligence in order to protect this data.

Grissom: Take a look at your firm as if it is brand new. Determine what has made you successful (a culture of client service, or technical talent, for example.) Determine what is holding you back (disorganization around growth, lack of processes, training, technology, or talent, for example.) Make a decision to continue to focus on and strengthen the areas of strength and to work on and strengthen the areas of weakness. Put good people in charge of these initiatives. Seek experts. Stay the path. Set the tone. Go after it.

Bolinger: Pay close attention to trends that you aren't thinking much about. The rate of change in terms of client and employer expectations for relevant, forward-looking information will accelerate dramatically in the near term. The traditional roles of the accounting professional will quickly shift with additional demands for strategic insight for future success. K

Keller: My one piece of advice for CPA firms is to push their partners to read everything they can about AI, blockchain, etc. Attend conferences where you can learn from experts and understand what accountants will be facing in the not-too-distant future. Then develop an action plan for how your firm will survive, short-term and long-term.

Boomer: Focus on relationships. When we think about technology and automation replacing what a CPA brings to the table, there are three functions that humans provide: hand, head, and heart. We've seen automation replace the hand in manufacturing and it's already starting to happen in professional services. AI is replacing a lot of what the head can do. But what can't be replaced is the heart and our relationships with clients. Make sure you're delivering not only what your clients need but what they want. Deepening those relationships is essential for remaining relevant in the face of automation.

Sinkin: Be realistic as to where you are and what can be done in terms of succession. Take a holistic view of your practice in terms of working timeliness and who is in your bullpen. We continue to see far too many firms suggest they will conquer their succession needs by recruiting young talent to groom into future partner roles. While this is a goal for all firms, is it a realistic goal? Absolutely not. Rather, it's a fantasy. Proper transition requires years of proactive planning.

For the majority of firms, they are physically in front of the bulk of their clients once a year – tax time. You cannot transition clients through the cloud, portals, e-mails or by phone. A proper transition requires face to face meetings. If you only see a client once a year in person, three years from slowing down translates to three visits. If you have been trying for years to develop the internal talent to execute your succession plan and still haven't, don't wait until it is too late to find an external solution.

Asgeirsson: Before you decide on the technology you plan to adopt or the sectors you plan to pursue, you need to do an in-depth strategic review of your firm – know your strengths and weaknesses and plan for the future based on that assessment. What separates firms that are successful in implementing technology is making sure they aren't implementing the latest technology just to be cutting edge.

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