








Accounting Trend Report 2016

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Introduction	3
 Number crunching takes a back seat	5
 What's your specialty?	8
 Integrated, intuitive technology	11
 Age matters	14
 Going global	17

Introduction.

Designed for accountants.

It's already 2016, so you might be wondering if this—the umpteenth report you've read on upcoming trends—is going to be any different. We sure hope so.

First, this one is just for accountants. Which is probably you. Second, it's been compiled from many conversations with real accountants that we've been engaging, working and/or socializing with in recent months. Third, each of these five trends should prompt an action. We won't have you spending precious time reading words and leaving with nothing but a big fat “so what?”. A trend report is only worth your while if you take something away from it.

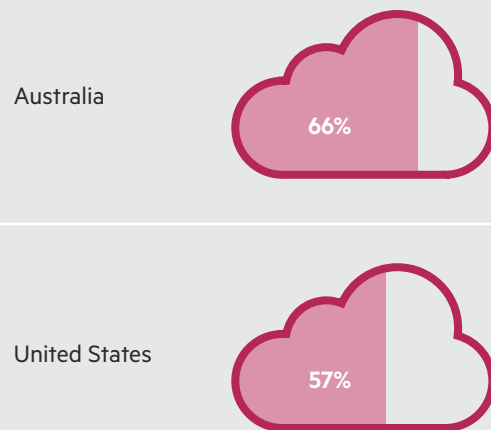
It's an exciting time for accountants. The industry has been blown wide open by cloud services; cloud adoption is currently hurtling to its peak. In Australia, more than two thirds of accountants use a cloud-based accounting SaaS platform with clients¹, and recently in the US, a study found that 57% of accounting firms are in the early to mid stages of cloud computing adoption².

The journey to the cloud is the mother trend and the driver of all you'll find below. It's shaping what is happening not only for accountants, but also for SMEs, making what happens next of utmost importance. These trends look to this next stage, judging how accountants can use this movement to their best advantage.

In 2016 and beyond, accountants will be seizing opportunities presented by new, tailored technologies—including apps created specifically for use in the industry. They will be advising and consulting more, thanks to time freed up by automation. Also, relationship building will take a step forward by accountants paying more attention to clients and their needs for a full 12 months of the year. Some firms are likely to tighten their focus and move to a specialized niche as a tactic to stand out in a competitive landscape. And yes, the industry will see its fair share of retirement, which, if managed well, will open doors for fresh talent and boost a tired outlook. Finally, accountants will continue to go global with networking, problem solving, and innovation, with smaller firms eager to follow in the footsteps of non-accounting global giants, doing so by fostering bold and creative culture-making tactics.

So, let's delve into what's next and what you should be thinking about. These trends will also help you understand what your clients are thinking about, and what you should be thinking about in order to satisfy, retain, and impress them. We hope this report helps you understand how to set up yourself and your systems to navigate the future without fear or obstacle.

Cloud adoption in accounting practices



Sources:

¹cch.com.au/DocLibrary/CCH-Research-2013-Cloud-computing-a-matter-of-survival-for-the-accounting-industry.pdf

²prnewswire.com/news-releases/accounting-legal-and-marketing-firms-elevate-their-reliance-on-technology-new-comptia-research-reveals-300190852.html

#1

**Number crunching takes
a back seat.**



Number crunching takes a back seat.

As branching into client services provides growth, customer service keeps relationships nourished.

Compliance, while at the core of an accounting practice, is becoming overshadowed by the spread of business advisory services that many firms are turning their focus to. Offering a wider range of consultative services to clients is possible now that ‘number crunching’ processes become more automated. The implementation of appropriate technology in a firm can free up time and provide greater insight into clients’ businesses, so it’s now up to the accountant to build relationships and set a path to growth.

What’s it about?

Nowadays, a job is no longer a once-a-year tax return, but rather a full year with the client. A job now incorporates business and growth advice, tech advisory, financial planning, mortgage broking, and any other service, product or consultation that the firm is in a position to deliver. The single-serve, accountant-client relationship is becoming a thing of the past. Ongoing and deep client relationships are now at the core of a firm’s growth potential.

Implementation of advisory services is an obvious way to substantially grow and improve the value of a practice through retaining high value clients. Those practices (especially partners) that do it best uphold a continuing line of communication with their clients throughout the year. More and more accountants are

grasping that good customer service is important to the client, and it amounts to timely responses, a healthy awareness of their state of affairs, and clever suggestions to improve any aspect of their business.

Back Office Support Solutions Limited (BOSS) started out in London as a business advisory practice, adding accounting services a few years later. Director Heather Darnell believes providing business advisory services brings you closer to your clients by allowing you to further tailor your services to suit them.

“We understand their business from more than just a compliance perspective—we understand them from a day-to-day (or at least month-to-month) commercial, strategic and owner-goals perspective. The customer service is therefore much more personal and much more tied to an individual in the firm rather than the firm as a whole.”

Those firms that endeavour to have more conversations with clients are in a better place to make suggestions around advisory services. The improved service that many firms are providing is further aided by the ease with which they can keep abreast of their clients’ businesses—for example, from following the client’s updates on Twitter or LinkedIn. We don’t want to harp on about the importance of social media, but a third of clients are now more comfortable with a Facebook page

than a telephone, and 67% of clients use a company's social media site for servicing.³

Business advisory services can be quite involved—assisting clients in evaluating their business model, competitive advantage, SWOT analysis, looking at change success models and what is needed internally for the team to buy into it. But it can start smaller. The advent of crunchboards and spotlight reporting tools makes management accounting an area that many firms evolve into without huge effort; and your own firm's experimentation with software may put you in the right place to shed some light on tech recommendations for clients.

With more communication touch points with clients in day-to-day dealings and less time manually inputting data and crunching numbers, firms will find it easier to assess business needs and put forward the notion of a 'suite of services' that are tailored to their clients. In turn, clients feel valued when they realize you've been paying attention! This approach gains longer term clients, boosts word of mouth referrals and strengthens the case for value pricing.

What's next and what you can do about it

Business advisory is the type of service that allows to grow a meaningful relationship. If your firm doesn't look into this type of offering, you may find yourself losing clients before too long. Granted, compliance will always be there, but it will not longer be a way to differentiate yourself and grow. Also, compliance services position you as an expense, while advisory services tend to allow the accountant to be viewed as an asset.

If you get a call from a client once a year around tax time, you might be one of those accountants that are still perceived as a necessary evil. You're definitely one of them if you don't follow up to see how that client's finances are going at any other time of the year! Clients will get impatient with bad customer service—they need to be shown they are valuable to the firm.

Where do you begin? A better client relationship starts with a simple a call. Make notes on personal characteristics and share them with your team: things like knowing the name of their spouse or kids, hobbies, or how they take their coffee can go a long way in improving your relationship.

Check in on their business social media channels—these might give you an idea of how business is travelling and will be something you can mention to show you care. Then take a look at what you can offer with the tools you already use within the practice and the services you want to focus on: you might find they are interested in services you never offered before.

“...customer service is therefore much more personal and much more tied to an individual in the firm rather than the firm as a whole.”

—Heather Darnell, Back Office Support Solutions, UK

³<http://taxinsight.thomsonreuters.com.au/resources/resource/the-rise-and-fall-of-client-service-infographic/>



#2

What's your speciality?



What's your specialty?

There's a lot of competition out there. Chop it down by finding your niche.

With accounting firms, especially those offering the same products and services as every other practice out there, clients may simply choose their service provider on the basis of price. The firms that get away with charging more for their services hone in on a more specialized, targeted approach to give them that competitive edge.

What's it about?

Choosing a niche has quite a few exceptional advantages. It makes approaching clients easier as you will be more selective when concentrating on a particular market. Your firm will have the opportunity to position itself as providing expert advice for that specific niche. Also, it may be easier to increase brand recognition and reduce marketing costs. For example, if you specialize in accounting for retail businesses, then you can easily pinpoint your audience and the magazines they might read or online groups they may frequent, and advertise your services through those channels only. Plus, your existing clients might spread news of your talents by word-of-mouth among their colleagues. If all this goes to plan, it will give you some security versus the competition.

Growthwise, a progressive Australian firm, is one that focuses on a specific niche: tech startups & tradesmen. Steph Hinds, its managing partner and consultant to other accounting firms, has seen a growth in practices

who are starting to find their niche. "If you really want to provide the best service to your clients you need to know who they are, what they want and what they need. Without this you can't possibly keep up with trends and software specific to them. The more focused you are on the services you provide, and who you provide these services to, the better your business becomes. You can design services specific to that niche, focus your learning in that area and market to them as well."

On top of this, your team will be spending more time on clients that they generally enjoy and have more confidence working with. If they aren't particularly extroverted or assertive, this focus should also increase confidence in dealing with prospective clients.

A more targeted approach will enable your practice to provide a much higher level of service and can certainly also yield higher revenue. It's a great way to redefine purpose. It can also help with recruiting—you'll want people who have some understanding of the industry you are working with for a start, or at the very least an interest in it. Finally, having a specialization opens up opportunities to network with other firms, locally or potentially globally, which can create additional economic benefit.


What's next and what you can do about it

The reality is, many firms, especially smaller ones, are in the position to take stock of what they do best, and find ways to focus their services on a particular industry or area. Sometimes that specialty might even be right underneath your nose.

Take a look at the kinds of clients you service. It may be that there is a pattern in existing clients, or in the local market—a large tourism and hospitality contingent or a concentration of construction businesses. Perhaps there is a category of clients that are more enjoyable to work with, or you love the challenges of one specific area of accounting. Maybe you want to focus on those areas of business that just add more to the firm's bottom line—that's ok, too.

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—Steph Hinds, Growthwise, AU



#3
**Integrated,
intuitive technology.**



Integrated, intuitive technology.

The honeymoon is over for best of breed, it's time for apps to talk to one another.

Integration is possibly one of the most uttered words we've come across in recent times, but with good reason. Accountants now find themselves using anywhere from 5 to 40 apps between their practice and their clients, so the way these apps talk to each other has become a major consideration. The efficiencies once gained from using super-powered, specialized 'best of breed' apps are lost from navigating through all of them. The honeymoon period is over, but it's making way for interesting developments in apps that pay attention to the IT wishlists of accountants.

What's it about?

Best of breed systems hit a snag when accountants started needing more connectivity in their systems. There is so much information, and this information needs to be shared so it's easily retrieved, no matter what the business process is. In the recent past, apps were being built for the clients—but the clients weren't using them that often. Now, accountants are getting more attention from software suppliers—with technology being designed specifically with accounting industry professionals in mind. IT developers are listening, and they're hearing what accountants are saying: simplification through integration, please.

Now, it's not only about finding the best of breed, but finding those apps that can serve more than one

purpose and bring other apps into the fold. Software is now built with integration and information exchange in mind. Whether through app partners or pre-built connections to other leading applications, the SaaS products that accountants will be taking seriously in 2016 are those that quickly and painlessly integrate with those best of breed apps that apply to specialized business functions.

Scott Lynch, director at Beanstalk Accountants in Sydney, says the integration piece is the most important one to look at when choosing a new app. "To save time and improve client service delivery, accountants need a more centralized data set, and they need less switching between apps to get the data they need." He also adds: "More apps are not the answer; better apps are. Being able to do more with less, not needing more to do more—that's what we will start to see."

What's next and what you can do about it

As accountants become more IT savvy (in terms of understanding what software can do for their practice), they can have better conversations with software developers about what their dream apps look like, and good software companies will be all ears. Some accounting firms will even start to bring IT solutions teams in-house to develop bespoke applications that suit a firm perfectly; others will connect existing apps

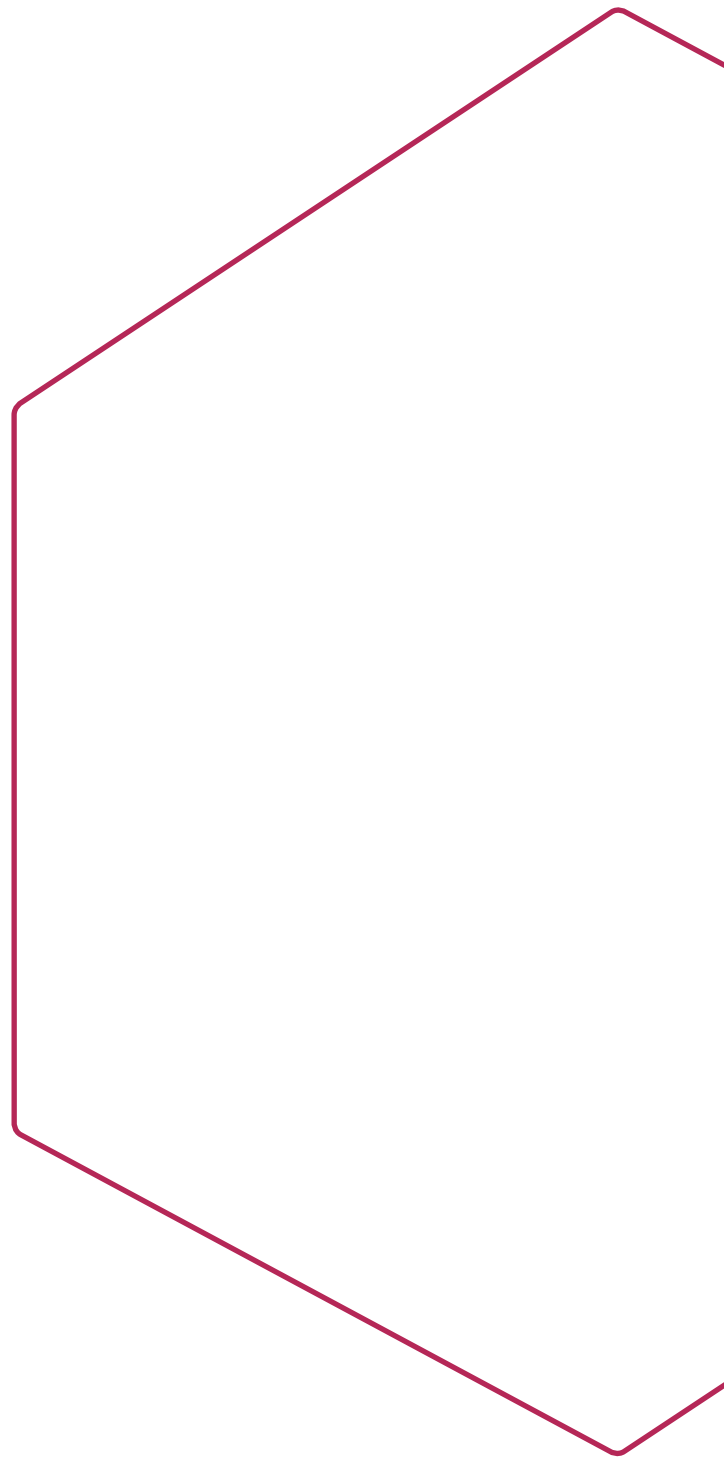
for seamless integration. If that's not you, then you are probably dreading the effort and cost involved in choosing your next app. When shopping around for SaaS products in 2016, think about what the most important processes are in your firm. Make a list, starting with the ones you spend the majority of time undertaking. Look for apps that incorporate at least one or two of the major processes and also several of the smaller. Most importantly, look for apps that integrate with others you need to do the things they don't. And, of course, don't forget what the client needs.

Troy Townley, Partner at HTA Advisory in Melbourne, gives this advice: "Understanding every product in the marketplace isn't the key, but understanding the needs and objectives of our clients is—this is the starting point to helping implement new systems, processes and technologies to help small business thrive."

"More apps are not the answer; better apps are. Being able to do more with less, not needing more to do more—that's what we will start to see."

—Scott Lynch, Beanstalk Accountants, AU

#4 Age matters.





Age matters.

Are soon-to- retire accountants holding your firm back, or will you suffer without them?

The average age of public practitioners is well over 50 (2011, CPA Australia⁴) and the looming swell in retirement will shake the structure of the industry and the way firms are run. As with anything, there are pros and cons, and your firm's experience will be different from that of the next. Understanding how it affects your business, staff and clients will help with planning for a smooth transition to the next generation of partners and leaders.

What's it about?

This matter of age is a big deal to everyone, but especially so to smaller firms and sole practitioners.

With so many changes in the industry, firms that have not been working to evolve with the industry will find themselves in dire straits. For example, if a partner is 'due to retire' but hanging on longer than they should, it can have an impact on internal decision making processes. Such a firm might find that they are lagging behind—maybe even in something vital like cloud adoption.

Research by Wolters Kluwer subsidiary CCH found that the average age of accountants using cloud apps was 36, while the average age of accountants not tapping the cloud was 40⁵. Three quarters of under 35 accountants have adopted cloud, while less than half of

those over 50 had. The reasons are varying—some have concerns about data security, while others think that their clients will be too nervous about it.

As well as clients not being able to benefit from progress in this scenario, they may be affected in other ways. If firms with partners due to retire find themselves with no plan in place, we may see a lot of misplaced clients—left having to shop for a new firm in an industry that they no longer recognize.

There will be consequences for internal staff too. If older partners hang on, it clogs up the opportunities for promotions for those who are younger and keen to move up the ranks. This would certainly have an effect on hiring and retention. Obviously, accounting is an industry that needs and wants new blood, and the new opportunities that come with it.

Kimberley Middlemis, partner at Adrians CA Brisbane, says the big buzz word in the accounting industry is succession planning.

“Accountants are generally good at talking with their clients about succession planning, but are the current owners investing enough time on their own internal succession plans? Firms need to be identifying future opportunities, whether internally or through mergers with other businesses, to help with this transition. It

⁴cpaaustralia.com.au/~media/corporate/allfiles/document/professional-resources/practice-management/succession-planning-pathways-guide.pdf

⁵cch.com.au/DocLibrary/CCH-Research-2013-Cloud-computing-a-matter-of-survival-for-the-accounting-industry.pdf

might be time for some accounting partners to ask themselves the question, is my business ready to sell and what can I do to maximize the value.”

What’s next and what you can do about it

The presence of aging partners should be seen as an opportunity. If a firm is looking to expand rapidly, merging with a practice whose owner is nearing retirement could make sense; however this strategy would really need the acquiring partners to be more than five years away from seeking succession themselves. An internal succession plan may not be the most logical option for all firms, but it is certainly something many firms seem to be neglecting, to their future disadvantage.

One good option for those ‘holding on’ may be to transition out of the business slowly by continuing with a reduced workload, or becoming an external consultant or mentor. This is a smart move that gives successors additional time to tap into a retiree’s wisdom and experience, while keeping older accountants happy—many of them see retirement as optional, love to work, or at least want to be kept involved in a small way. Either way, it’s important that they don’t prevent younger staff from moving up the career ladder.

But know this: succession planning is not a 12-month exercise. Partners need to be looking five or more years ahead at where their staff will be. Firms owe it to their clients to have a clear plan for what will happen to the practice when partners move on and retire—above all, continuity to the client should be your highest priority. If you manage this successfully, you will have no trouble retaining clients, despite any change. Having said that, practices should not wait for certain retirements before they start implementing change. It can be incremental, but each month you wait could put you back years—managing the exit of the old must be balanced with the incoming of the new.

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—Kimberley Middlemis, Adrians CA, AU

#5 Going global.



Going global.

Embracing the opportunities as boundaries recede.

The fast pace of technology and instantaneous spread of ideas and information has created a very exciting environment for work, life and whatever comes in between. With location no longer critical, we're seeing the rise of global accounting partnerships, where advisors around the world are connecting to help their clients do business in different countries, and smaller firms are taking a leaf out of those whose cultures they admire in order to foster innovation with a global outlook.

What's it about?

The international nature of business means that even the smallest clients can easily have customers around the globe. So even the smallest firms may find themselves servicing clients with international ties.

Bruce Phillips, from HPC, agrees: "So many of our clients operate in multiple countries. It is imperative that accountants think about how their clients grow, and much of the big opportunities lie in expanding overseas. For a small business, that is true no matter where they were formed or operate currently." He adds that "as an accountant, you can't serve or understand these clients unless you understand both the accounting and tax issues facing them. It is easy to understand what they need locally. But you need resources to be able to help them outside of your own jurisdiction."

The need to source local knowledge and engage local talent becomes imperative. In this day and age, however, this does not mean opening international branches—as firms are instead able to leverage wide ranging international networks.

The trend for more collaboration among professionals continues to grow, with joint ventures and networking groups becoming a common way for accountants to share wisdom and tackle challenges, regardless of geographical barriers.

Likewise, the boundaries between work and life have become more blurred. There's timezones to take into consideration in doing international business, and in general, our lives are on the move. Increasingly, it just makes more sense to deal with something immediately or when you are not 'in the office.' Whether we like it or not, we are always in the office to some extent, constantly connected through smartphones, watches and apps.

Accounting firms are also looking to global companies for inspiration regarding collaboration, innovation and culture-making. The dynamic landscape has made ongoing education within the workplace all important. The top firms to work for are often those that foster innovation, offering employees exposure to professional opportunities so they can continually develop, and offering a range of work/life options.

The obvious examples—employee favourites like Google, Atlassian and Netflix—offer great flexibility along with seemingly limitless opportunities for their employees to be innovative. Many firms that may not be able to afford flexibility on such a grand scale will still run smaller initiatives—whether a monthly hack day or simply bringing in people from other industries for discussions. These tactics open people’s minds and improve company culture, building a vibrant workplace that is attractive to new recruits and progressive in the eyes of clients.

Advise Accountants in Bathurst are one of these firms—they are currently building a breakout room in their office for word cloud generation, brainstorming, and to let clients be involved in thinking outside the square. The room will have barrels to sit on (but most will stand), blackboards and whiteboards covering the walls, and other elements that encourage open communication.

“This room will be for creative thinking which will culminate into a one-page business plan. It is an old saying but businesses that fail to plan plan to fail. With the rapid pace of change this is more important than ever” said Advise Accountant Matt Sharwood.

As well as using tools from e-learning platform Mind Shop, and the resulting one-page plan in their client liaisons, Advise is planning coaching classes and hybrid training programs.

What’s next and what you can do about it

It’s easy to become insular in a workplace but in order to keep your finger on the pulse and promote growth, it’s important to take notice of what is going on around you—maybe beyond your city or country. Better yet, keep note of what is going on across other industries.

Not just being open to new opportunities and relationships, but seeking them out, will help you create new and exciting connections. Use whatever channels you are comfortable with to get started—Twitter, LinkedIn, meetups, conferences, email—none of it can hurt. There are plenty of international networking opportunities available, as well as events in numerous cities that attract accountants from around the globe.

When it comes to breaking boundaries in your own practice, try to foster an innovative culture in the firm by not being overly and eagerly critical of new ideas. Let them flow, and hear them out. Give employees and colleagues the chance to be creative and get excited about new ways of doing things, and don’t let small setbacks get in the way of pursuing excellence.

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—Bruce Phillips, HPC, US

About Karbon.

Karbon is team collaboration and client communication software designed for accountants.

By bringing email out of everyone's inbox, Karbon adds visibility to your practice and increases the productivity of your team, becoming your firm's central place for your clients information, work and communication.

To find out how Karbon can help you and your team build relationships with your clients and work better together, visit karbonhq.com.

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