

5.6: Trends in Accounting

8. What major trends affect the accounting industry today?

The post-SOX business environment has brought many changes to the accounting profession. When the public accounting industry could no longer regulate itself back in the late 1990s and early 2000s, it became subject to formal regulation for the first time. This regulatory environment set higher standards for audit procedures, which actually helped public companies fine-tune their financial reporting procedures, despite the added costs and labor hours needed to comply with SOX. Once again the core auditing business, rather than financial advisory and management consulting services, became the primary focus of public accounting firms. The relationship between accountants and their clients has also changed, and the role of chief audit executive has taken on more visibility in many large organizations. In addition, the FASB has made slow but steady progress in making changes related to GAAP, including a separate decision-making framework for users and preparers of private company financial statements.⁸ There are several other important trends that may affect the accounting industry over the next several years, including cloud computing services, automation, and staffing challenges.

Cloud-Based Services

The internet and cloud technology continue to disrupt many industries, including accounting, and clients expect their accountants to be up to speed on how financial data and other accounting information can be entered, accessed, and discussed in a very short period of time. For the most part, gone are the days when accountants and their support staff spend hours manually inputting data that gets “re-hydrated” into standardized accounting and financial statements, and reams of paper generate a company’s weekly, monthly, or yearly reports.

According to recent research, cloud-based accounting firms add five times more clients than traditional accounting firms because businesses expect their accountants to be able to use technology to create the company’s financial picture in real time, while assisting them in decision-making about where to go next in terms of profitability, sales, expansion, etc. In addition, it is estimated that more than 90 percent of small and medium-sized companies use cloud-based accounting software, which helps them synthesize the information they collect for their many important financial statements. This use of computerized accounting programs offers many opportunities to accountants to shift their focus when it comes to attracting and retaining business clients.⁹

Automation

In addition to cloud-based services, automation will continue to play an important role in the accounting industry, particularly in auditing services, where the manual gathering and inputting of information can be an inefficient and sometimes inaccurate process. Being able to automate this process will help generate complete sets of data that will improve the overall details of the auditing process. In addition, accountants who can use a client’s data files from their business operations and import this information into a tax or accounting software package will streamline the overall accounting process and lessen the tedious work of data entry.¹⁰

Staffing Challenges

As these and other disruptive technologies change the focus of accounting work, the challenge of hiring the right staff to use these new tools intensifies. With accounting processes becoming automated and less time-intensive, some accounting firms are becoming more connected to their clients and increasing their advisory services when it comes to daily business operations. This change in approach will likely have an impact on the type of experienced employees accountants hire in the future. In addition, because most services are now cloud-based and financial data is available rather quickly, businesses are apt to change accounting firms faster than in the past if they are unsatisfied with the services they receive. Accountants have a great opportunity to expand their business portfolios and increase their client list by leveraging technology as part of their overall corporate strategies.¹¹

MANAGING CHANGE

Attracting and Retaining Millennial CPAs

Much has been written about millennials, the population segment born between 1980 and 2000. As the older baby boomer generation continues to retire, millennials now make up the largest group in the U.S. labor force. This group will continue to shape the workplace over the next few decades.

Businesses and other organizations cannot ignore this group and their expectations about employment. To be successful, today’s accounting firms—whether Big 4 firms or small and mid-sized businesses—need to understand what makes millennials tick, what

is important to them, what makes them look for new opportunities both within and outside the organization—and how to retain them.

Global accounting services company PwC recently partnered with several other institutions to conduct a two-year generational study about the attitudes of millennial employees. Key findings suggest that millennials want flexibility in their work lives that leads to an enjoyable work-life balance, appreciation for the work they accomplish, challenges that will help them grow in their careers, and continued support from employers. As a result of this study, PwC made several changes to its own work environment to attract and retain millennial workers, including flexible schedules, relaxed dress codes, greater communication at all levels of the company, and a renewed commitment to transparency within the organization.

PwC is not alone in shifting its organizational culture to address some of the issues millennials say are important factors for them within the work environment. For example, Baker Tilly, another top accounting firm, recognizes that more than half its workforce consists of millennials who have helped shape the company's approach to work. The themes of flexibility and trust permeate the company's culture, which reinforces employees' motivation to be engaged in work that is meaningful, satisfying, and helps them develop as individuals.

Here are some other strategies accounting firms might employ to keep their 30-something employees from jumping ship:

- *Initiate onboarding activities quickly:* Although training accounting professionals takes time, companies should engage and train new employees quickly to immerse them in organizational culture and assign them work they view as meaningful.
- *Assign mentors from the start:* Millennials want to know their work makes a difference, so what better way to get them involved right from the start than to make sure they are connected to mentors who can guide their work and career path.
- *Support a flexible approach to work:* Some millennials are in the prime of their career, and many may also be juggling a family life that requires a lot of their time. Companies need to remember that millennials like being productive, although they may not think a long workday equates to a productive one. The use of cloud-based technology encourages employees to do their work in a productive atmosphere that may not take place in the office.

Recognizing generational traits of millennials not only demonstrates commitment on the part of the company, but also helps keep these employees engaged and involved in their work.

Critical Thinking Questions

1. Do you think a shift in thinking when it comes to managing millennials is a smart strategy? Why or why not?
2. Will accounting firms be required to rethink their billing strategies to address millennials' insistence on a more flexible approach to work? Explain your reasoning.

Sources: "Workforce of the Future: The Competing Forces Shaping 2030," <https://www.pwc.com>, accessed August 11, 2017; Hitendra Patil, "The 7 Experiences Millennials Want from Your Firm," <http://www.cpatrendlines.com>, accessed August 11, 2017; "Millennial Accountants Don't Want a Corner Office with a View," <https://www.rogercpareview.com>, April 24, 2017; David Isaacs, "Voices: Confessions of a Millennial CPA: The Most Productive Generation," <https://www.accountingtoday.com>, April 20, 2017; Teri Saylor, "How CPA Firms Are Evolving to Meet Millennials' Desires," <http://www.journalofaccountancy.com>, March 6, 2017.

CONCEPT CHECK

1. How has the relationship between public accounting firms and their clients changed since SOX became law?
2. Describe how cloud computing and automation are changing the accounting industry.
3. What are some of the challenges encountered by accounting firms when introducing new technologies into their workflow process?

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