FACING THE FUTURE

How will accountancy evolve in a changing world, and what values need to be retained? ICAEW’s Practice Committee, together with software company Intuit, has launched a project to uncover the major challenges ahead.

There’s an issue that has come to light since the global recession of 2008 that should be of concern to small and medium-sized accountancy practices – over-capacity. A recent survey by ICAEW showed 69% of practices needed more clients. And when SMPs need more clients, they’re inclined to compete on fees, which has a potentially negative effect on quality.

As Peter Hollis, chairman, ICAEW Practice Committee, and practitioner from Sheffield says: “Quality will be eroded if practices are forced to compete on cost, especially in a market where compliance services are shrinking, regulation is onerous and technology has become more efficient.”

It is for this reason that ICAEW Practice Committee and Intuit have launched a campaign to ensure that the UK accountancy profession prospers into the future. Which economic trends and drivers will affect firms and their clients up to 2025? And how should SMPs develop new services to stay ahead of the game? A recent Birmingham roundtable says: “Quality will be eroded if practices are forced to compete on cost, especially in a market where compliance services are shrinking, regulation is onerous and technology has become more efficient.”

NEW BLOOD

Darren Holdway, managing partner, Haines Watts, added: “With graduates coming through, you’ve got to start with the fundamentals. What does a good relationship look like? What is empathy? What is intellectual curiosity about a business? What are the drivers for the owners of the business? Those are all things we’ve absorbed through osmosis over 20 or 30 years. But for those kids, somehow some of that has to be fast-tracked or they’re going to give advice from a poor platform.”

And it can be quite a broad platform. As Chris Barlow, managing director of Bloomer Heaven said, “Look at the firms who are being served by it. There’s a difference between a sole practitioner and a relatively big firm and what they both want from the profession. It’s that one-size-fits-all conundrum. There needs to be a way of segmenting part of it, or specialising. If I take on someone who’s been trained by the Big Four, it’s almost useless to my practice, because many of the skills they have are not relevant to my firm.”

So there are substantial training issues. But nobody should underestimate the huge amount of loyalty and desire to join networks, added Mandy Mitten, managing director of Mitten Clarke, “A lot of people are absolutely desperate to gain advisory skills,” she said. “I wonder if ICAEW could commit more to a development programme in this area?”

She was especially keen for something aimed at “the foot soldiers of the profession, many in their 40s and 50s”. These people were originally trained to prepare accounts, to be methodical and precise. “But now,” said Mitten, “we’re expecting them to become something quite different and that can be very tough.”

LOOK SMART

Meanwhile, the nature of audit is definitely changing and that change, said Oliver Ross, partner, Muras Baker Jones, is making its presence felt, right across the UK. “You may get concentrations or clusters of auditors in the future at the smaller end,” he said. “But really it’s about getting smarter with your business offering, realising that this is something fundamental you’re doing with your business on a day-to-day level. At my firm at partner level, that’s where we spend much of our time, not over-burdened by technical compliance issues.”

“You need someone who is sitting with the client, who can relate to that person – who knows what the client is talking about”

HARVEY OWEN, NICKLINS

TOMORROW’S WORLD

“The challenge is that the people we are recruiting and training need to be more than just auditors – they will need other skill sets as well as the audit market declines,” said Helen Drew, partner, Crowe Clark Whitehill. “As partners, we have that skill set. But people that we’re taking on will need to do both in future, earlier.” So how are accountants being trained to bring a second role to an already demanding job? Many simply aren’t – which is a considerable training issue.

ICAEW president Arthur Bailey said: “Training to give advice and how it can be incorporated into the training of future chartered accountants is something to take on board. The ability largely comes through the practice itself, perhaps by younger people sitting alongside experienced professionals. It’s very difficult to train people to give advice. More and more, we’re going to be advisers rather than technicians.”

And in order to give advice you need experience and not just the experience of your own specialism. But there will always be a need for some to simply be a steady pair of hands in specialisms such as tax, audit, VAT, payroll, business strategy or regulation.

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“We need to be agile and up for change, because the profession in five years will look different”

DAVID MUNTON, GRANT THORNTON

GENERAL PARTNER, ANYONE?

So what do some of the changing forces mean for the specialism of general partner? “A practice of my size needs it,” said Harvey Owen, managing partner of Nicklins. “You need someone who is sitting with the client who can relate to that person – who knows what the client is talking about. He can then go away and find the people to do the work. That point should be a specialism.”

Perhaps, but the skills required to be good at the generalism are changing. “The average client doesn’t necessarily want specialists at the highest level. They simply want people who understand their business,” said Grant Thornton managing partner David Munton.

CHARTERED CHANGE

Richard Harwood of Sutton Coldfield-based Harwoods agreed. A lot of his clients are simply interested in making sure their tax return is done correctly. “I don’t know if you call payrolls and VAT compliance work or not, but in our practice there is a huge demand for getting that right. So there’s definitely still a market for compliance work.”

There also remains a huge market for very specialised consultancy – the sort of consultancy that can chip away at the core base of your own services; something Owen warned about: “I get approached by six or seven consultants a week, all of which can do something allegedly wonderful. Whether it’s an issue of taxation or R&D, auto enrolment. Whenever something new happens, someone else becomes a consultant. At the moment that’s just a start of what could become a groundswell. That’s where we’re going to have to really look. The Big Four have the stability of their size, we don’t.”

Meanwhile commoditisation and the increased use of technology to deliver a service are being adopted fast by the same large players – particularly in terms of audit, says Munton. And that, inevitably, has to trickle down to the smaller players longer term. “A couple of thousand procedures that might have been performed on site are now being performed in the back-office. So you don’t need chartered accountants to do that. The use of a chartered accountant for a typical audit is changing.”

A VERY CONFIDENT FUTURE

But the group agreed it is easy to underestimate the speed of technological change. Five years ago Twitter didn’t exist. Now, about 70% of people attending the roundtable were likely to have Tweeted, according to Intuit’s Thompson. What’s more, clients not only expect you to provide a service fit for their 21st century needs, but one that is also ahead of the technological curve.

The discussion was passionate and forthright. But overwhelmingly, most around the conference table remained highly optimistic about the future. Harwood certainly wasn’t and he was particularly positive about ICAEW’s role within it. “I’ve been involved with the Institute for more than 20 years. The way ICAEW has changed over that period is really quite remarkable: how the brand has been managed, how the marketing has changed. If we take on-board some of the comments made around the table today, that can only improve.”

But Munton added a last warning shot. “We need to be agile and we need to be up for the change. Because what the profession is going to look like in five years time is going to be fundamentally different to what it is now.”

Of course, packaging up a range of services is now increasingly important for many practices, mindful that they need to extract sufficient value for their advice. “I don’t know if you call payrolls and VAT compliance work or not, but in our practice there is a huge demand for getting that right. So there’s definitely still a market for compliance work.”

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It’s a claim that Spencer Wright, chief executive, Dains, immediately recognised. “The separation and packaging of these services is definitely the way forward in order to deliver both quality and value. There should be zero tolerance for doing stuff you shouldn’t. Our clients now come to Dains for our advisory services as much as anything else.”

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About Tomorrow’s Practice

The Tomorrow’s Practice project will cover key themes such as global economic trends, regulatory forces and technology and business change.

It aims to explore how technology changes the way businesses require information, altering how they meet regulatory change, and also how being on the move and having instant access to real time information becomes a critical factor in how practices serve their clients. It will look at immediate questions as well as the longer-term strategic challenges. icaew.com/tomorrowspractice