

Future in focus

INTRODUCTION

Accountants across all practice areas are embracing digital transformation. That was abundantly clear at the most recent Digital CPA conference, the leading event centered around technology and innovation within the accounting profession. The focus was on the future – more specifically, on the trends impacting accounting and finance and the significant opportunities they present for CPA firms who are leading the way by embracing new business models, harnessing emerging technologies and expanding services to grow their firms and create more value for their clients.

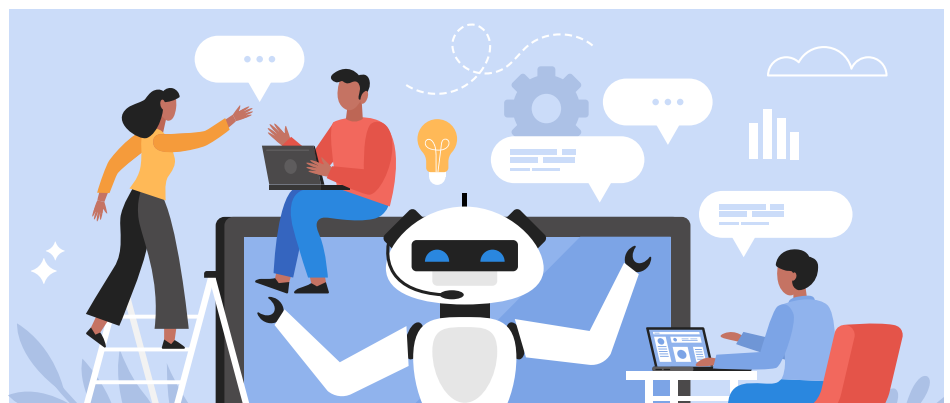
In a world where technological innovation and adoption accelerates seemingly overnight, organizations of all sizes are challenged to adapt to stay ahead of rapidly changing environments and meet ever-increasing customer demands. "For businesses, the path forward will require a trusted partner who can enable them to capitalize on the possibilities that technology offers and connect them to the right tools that drive transformation. The accounting profession can fill both those roles," said Barry Melancon, CPA, CGMA, CEO of the Association of International Certified Professional Accountants, which represents the combined strengths of the AICPA & CIMA, in his keynote remarks. In today's global economy, the profession is already leading on many fronts.

By combining the expertise of CPAs with the power of digital tools and solutions, the profession can provide more meaningful information for

decision making and offer assurance on the integrity of that data. "Putting the profession's capabilities to work is critical to society today," said Erik Asgeirsson, president and CEO of CPA.com.

Tools such as artificial intelligence (AI) create visibility previously unavailable, allowing practitioners to deliver deeper insights to their clients and organizations. At the same time, centralized data stored in the cloud enables greater speed and value to clients. As a result of these advancements, "advisory services are going to change businesses and accountants' lives," said René Lacerte, CEO and founder of BILL, during an opening keynote session.

Looking ahead to a time when transactions will be completely digitized, Lacerte asked: "Are you in front of the transformation or following?"



AN EVOLVING ROLE

C PAs are poised to take a leadership role in navigating change, and Melancon noted that CPAs have emerged as the movers and shakers of their local communities. “The profession’s word means something,” said Lacerte. The profession has earned an unparalleled level of trust that manifests itself in many ways. During the height of the pandemic, for example, clients relied on their accountants to help them keep their businesses going.

Today, stakeholders such as customers, suppliers, regulators, government, employees and shareholders are asking businesses to look beyond profitability to consider companies’ impact on the community and the long-term value they create. A CPA’s role in that effort is to be the trusted independent arbiter who gathers and reports on company actions and efforts. Going forward, CPAs and firms will lead the way on technology transformation and on measuring and reporting key data for new business models, such as ESG (environmental, social and governance) initiatives.

Innovation is already happening in a variety of areas, including in how firms are harnessing technology to evolve their existing services and deepen relationships with clients. Expense and spend management advisory is one example. While many firms are already doing financial reporting and managing expenses for their clients, spend management technology allows them to take it further to provide actionable insights and begin forward-looking discussions with clients around budgeting and forecasting. Spend management is more than just a corporate credit card program, which reconciles spending at the end of the month. With card-based technology with Divvy, from BILL, all company funds are centralized allowing finance leaders to have full visibility of cash flow and the ability to set, track and control spend before it occurs. It’s an approachable opportunity that firms can embrace to start quickly making the shift into client advisory services (CAS).

“Digital transformation is teaching us that data is valuable, access to it is super important and having real-time access is going to be the thing that changes the way we do business,” said Lacerte.

TRANSFORMATION IN ACTION

What is CAS?



The AICPA and CPA.com define CAS as client

advisory services, a practice to help clients outsource their accounting needs with services spanning a spectrum of financial, accounting and advisory-related offerings. The vision of CAS is to provide higher value to clients and deepen the trusted advisor relationship, allowing clients to focus on their core competencies and deliver on their value proposition to customers. CAS offerings are enabled by technology and processes that deliver timely data which provide clients with deeper business insights to inform strategy and decision-making. While basic compliance work and operational services are foundational to CAS, continuous business planning and advisory discussions supported by financial and non-financial data delivered through industry-specific KPIs are fundamental to the differentiation and success of this service in the accounting profession.



94% of CEOs want to maintain or speed up pandemic-driven digital transformation, according to [Gartner](#) research.

CAS: A standout success

Advisory has long been the foundational element of the Digital CPA community and conference. In recent years, the explosion of advisory services has catapulted CAS to become the fastest-growing practice area of the accounting profession. It provides a significant opportunity not only for growth but also for positive CPA firm business model transformation. This dynamic practice area has been expanding for several years, and the standout success of many CAS firms is now too impressive to ignore. CAS is defined by phenomenal growth, amazing growth pipelines and opportunities, and the chance to enhance service value and build long-term client relationships.

The [2022 CAS Benchmark Survey](#) report showed continued double-digit year-over-year growth (a median of 16%) for CAS practices.

From transactional to relational: The concierge CPA

The world has moved to subscription models, favoring purchases that offer businesses and consumers access and transformational outcomes rather than ownership and deliverables. In the accounting profession, firms that are shifting to CAS to deliver ongoing advice and insights to clients have explored shifting from hourly billing to embrace value pricing. Forward-looking firms have jumped to the next step: subscription models, which DCPA speaker Ron Baker defines as a periodic recurring payment for frictionless, ever-increasing value and serial transformations.

The subscription model offers something clients want – the peace of mind they receive from their relationships with firms. Rather than a transaction based on a deliverable, clients are interested in moving to a desired future state, whether that is being able to pay for their children's college, have an earlier-than-expected retirement or open/expand a business. When firms help deliver these outcomes, "you are at the apogee of the value curve," Baker said.

The CPA profession is not the only sector of the economy to embrace subscription models. Myriad industries are driving disruption through the evolution to a subscription model. A few of the nearly endless examples include:

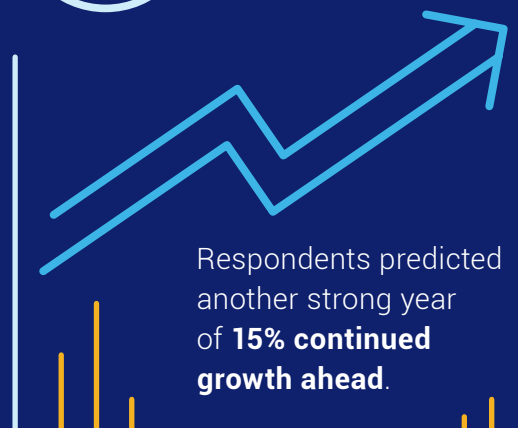
- [Porsche Drive](#) offers customers on-demand access to a selection of vehicles for a monthly fee, so they can switch from an SUV to a convertible or other vehicle type as needed.

2022 CPA.com and AICPA PCPS CAS Benchmark Survey findings:

Top Performers* saw a **25%** rise in **median growth rate in net client fees per professional**, compared to just 8% for All Respondents.



About **one-quarter** of CAS practices called their growth "**off the charts.**"



Respondents predicted another strong year of **15% continued growth ahead.**



Equally exciting, **72%** of All Respondents and **81%** of Top Performers said their **pipelines showed robust growth potential.**

Overall, when compared to the most recent PCPS Management of an Accounting Practice (MAP) survey, **CAS firms were leading the way in terms of revenue per professional.**



* Defined as CAS practices in the top quartile in terms of net client fees per professional.

- Many medical professionals are moving away from the fee-for-service model, providing patients with customized appointments and easier access. The shift is taking place at high-end concierge practices like [MD²](#) and at more affordable direct primary care services like [Plum Health](#).
- Customers can also get subscriptions to [Fender guitars](#) and [Dollar Shave Club](#).

Switching to a subscription model for a CAS practice can lead to lower costs and higher revenue. It builds lifetime annuities that are worth more than it costs to acquire them. It features predictable, annual revenue and makes it easier to plan for capacity, talent, workflow and new acquisitions, without having to bring in a steady stream of new customers. And it can provide firms with cash and capital to expand as needed.

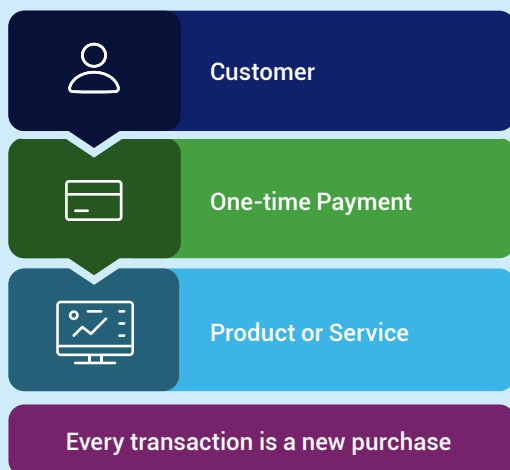
A subscription-based sales model may not be the most viable option for all practices, but it does offer an alternative for firms to evaluate as part of their transformation strategies.

“Why chase new customers when you can do more for existing clients and enhance your services with less price sensitivity?” asked Ron Baker, founder, VeraSage Institute.

Staying in step with finance transformation

CAS practices are well positioned to meet the needs of an evolving finance function. For organizations, speed of decision making is now a competitive advantage. Automation of areas such as cash flow, customer billing and journal entries eliminates friction and enables a continuous business cycle. Finance teams are being called on to upskill their staff and use technology to deliver insights to inform decision making. “Organizations are turning to their finance teams for strategic advice on issues such as inflation, supply chain risk and recession concerns,” said Tom Hood, EVP-Business Engagement & Growth, AICPA. “As a result, the finance team leader is taking on the role of chief future officer.” The urgency is greatest at small and midsize companies, which don’t have large teams to forecast and monitor new developments. These forward-looking CFOs are seeking the kind of high-level input that CAS practices provide. When they outsource work to a CAS team, businesses are not looking to cut costs. Instead, they are seeking knowledge and competencies that are not available to them internally. And they are seeking to tap into the wisdom of subject matter experts from across the accounting firm. CAS practitioners should be aware of the opportunities to transition from business partner to value partner.

Traditional Sales Model

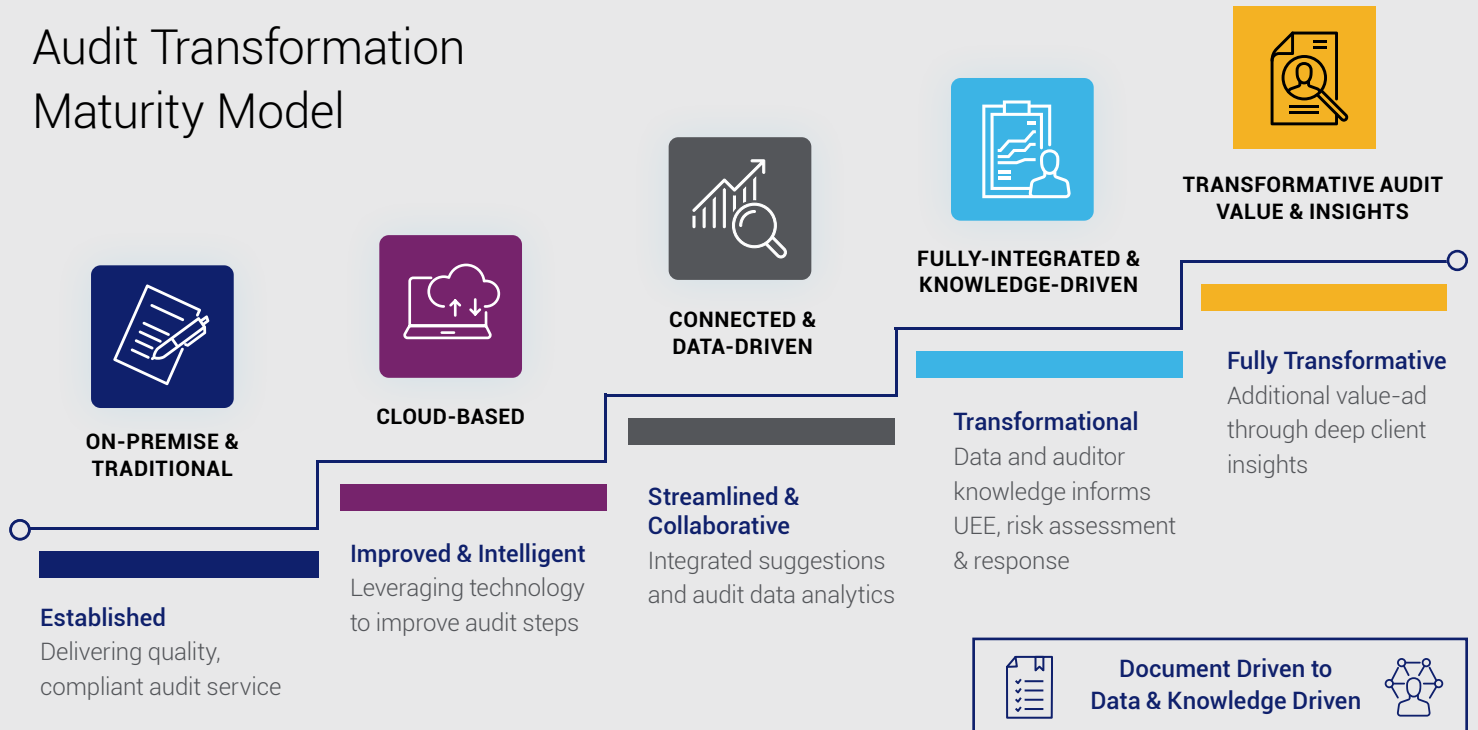


VS.

Subscription Sales Model



Audit Transformation Maturity Model



Forward-looking CFOs are seeking the kind of high-level input that CAS practices provide.

Dynamic Audit Solution ([DAS](#))

Auditing is undergoing its own evolution, while it retains its critical role as a core CPA service. Emerging technologies are allowing auditors to reimagine how they perform the audit to drive audit quality and provide greater insights and value to the client. At the same time, the AICPA Auditing Standards Board is evolving standards to reflect technological advances. Firms are upskilling their auditors in areas such as digital intelligence, data analytics, critical thinking and people skills. The simultaneous evolution of these four drivers—technology, methodology, standards and new skills—is setting the stage for auditing in the future.

The [Dynamic Audit Solution](#) (DAS) is a partnership between CPA.com and Caseware International to develop a data-driven, technology-enabled audit solution that will enhance the quality and value of audits. The

group has developed a single, integrated tool based on a reimagined audit methodology that is risk focused and activities based. It is not simply an automation of existing audit approaches, but a new visualization of what an audit will look like. After moving from traditional on-premise engagements to those that are connected and data-driven, DAS looks ahead to transformative audit value and insights. The focus is on making it dynamic, digitized and integrated. It will enable accounting professionals to work more efficiently, collaborate more productively and gain the deeper strategic insights that drive transformative change.

At DCPA, firms involved in testing the new technology discussed the excitement of using DAS to perform live audits. Given changes in both technology and management that DAS will make, firms will need a clear and disciplined approach to change management. The new methodology will also be a change for clients. Planning will start earlier and clients will receive requests for more and different data, according to Kalil Merhib, executive vice president, Growth and Professional Services, CPA.com. Effective transition management can facilitate a smooth transition with significant benefits for firms and clients.



FORCES SHAPING THE FUTURE

Will technology drive us forward or get ahead of us? While rapid change can be daunting, we have the ability to create the future that we want to see—if we understand what kinds of changes are occurring, according to strategic futurist Nancy Giordano. She cited three trends that are driving change:

- 1. An increasing reliance on digital tools and technology in every aspect of our lives.** Experts believe that we have only seen a fraction of the technology advancements that are coming down the pike. And it's important to remember that change may not play out as we expect and we should keep an open mind in making assumptions about how advancements can or will be used. For example, Wing, a drone technology owned by Google's parent Alphabet, has been tested for deliveries in Australia and in the Dallas area. The organization found that one of its biggest customers was an 80-year-old couple, not the usual profile of early adopters. But they had ordered hundreds of drops because mobility issues kept them close to home.
- 2. The impact of our behavior on planetary health.** Going forward, companies will have to anticipate new expectations for environmental, social and governance (ESG) concerns and will be called on to demonstrate their commitment to these issues. Organizations are making

strides in ESG, but new types of risks are emerging. For example, the city of Charleston, South Carolina, sued two dozen major oil and gas companies, alleging they withheld information that ultimately led to disastrous flooding in the city. With that in mind, amid an alphabet soup of varied ESG reporting frameworks and concerns about "greenwashing"—or misinformation about companies' efforts—there's a tremendous opportunity for the accounting profession to provide assurance in this area.

- 3. A need for a deeper understanding of ourselves, our capacities and our support networks.** Studies have also shown that productivity either remains level or improves with a four-day workweek. And many countries—including Iceland, Belgium, the UK, Japan and more—are already experimenting with the notion of allowing employees to work four days a week while earning the same benefits. However, the old industrial clock and hours are still standard, even though work today is more transformative, creative and collaborative than it was in the early days of factories. Reimagining how we work will require rethinking the role that technology can play in enabling innovative solutions and creating more with less.

Advanced technologies such as AI are not just happening to us, Giordano concluded. "They can be used intentionally to design the world that we want," she said.

2023 ACCOUNTING PROFESSION TECHNOLOGY MEGATRENDS

Each year, research and advisory firm Gartner creates a hype cycle that depicts the progression of a five-phase lifecycle. (Not all technologies survive the entire process.)

Using the Gartner model, CPA.com annually releases its own version of the hype cycle customized for the accounting profession. It illustrates where emerging technologies relevant to the profession are situated in the lifecycle.

The phases of the lifecycle are:

Innovation trigger: An exciting new technology emerges, gaining interest from the media and potential users.

Peak of inflated expectations: Overblown early projections of the technology's value and new but untested applications lead to unrealistic timelines and expectations.

Trough of disillusionment: Excitement and interest fade when the new technology fails to meet the initial overhyped and unrealistic expectations.

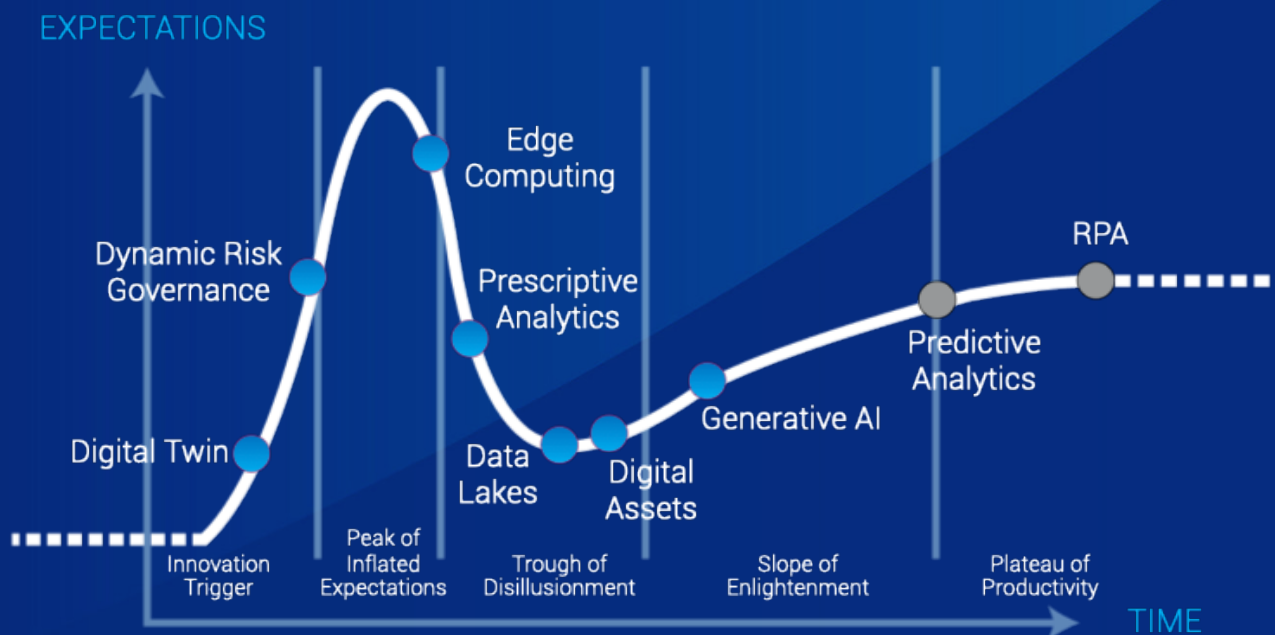
Slope of enlightenment: Even as attention shifts away from the technology, providers continue to experiment with new use cases and strengthen existing ones. Second and third generation products improve on the initial version.

Plateau of productivity: Mainstream adoption begins.

2023 update

In the 2023 Accounting Profession Technology Megatrends hype cycle:

2023 Accounting Profession Technology Megatrends



Source: 2022 CPA.com Identified Megatrends Plotted on the Gartner Hype Cycle Framework

- **Robotic process automation**, the most common AI model deployed, has matured into the plateau of productivity. In addition, McKinsey reported a 94% improvement in training speeds of AI models since 2018, so there are clear advancements in maturity in this area.
- **Generative AI**, which encompasses tools such as ChatGPT, is rapidly moving into the slope of enlightenment this year as its true value becomes clear.
- **Predictive analytics** made gains over the past year—moving to the plateau of productivity—as systems became more accurate in their forecasting. Prescriptive analytics, on the other hand, are sliding into the trough of disillusionment. Their potential has not yet been fully realized since they require more dynamic data sets that are not as readily available.
- **Endpoint security** became a higher priority. Many more systems are now storing, not just accessing, data on local devices with the shift to AI and edge computing, which brings the computation and the data storage closer to the edge—or the source or device being used.
- Given setbacks in the blockchain space, **digital assets**, which encompass crypto and stablecoins, have moved backward from the previous year, into the trough of disillusionment.

Other emerging technologies include:

- Just edging into the picture are **digital twins**, a digital or virtual representation of a real-world entity or system. See how [GE is using it in power plants](#).
- **Dynamic risk governance** is a framework developed by Gartner that alters the approach to risk management. It includes:
 - o Risk-tailored governance, which creates distinct governance models for each risk, tailoring them to organizational strategy using risk appetite and volatility.
 - o Activity-based risk governance, which allocates risk management activities to the people best placed to conduct them.

The cycle makes it possible to track the advancement of emerging technologies as they move toward greater acceptance. It's another tool for keeping the future in focus amid rapid change and uncertainty.

AI



- Artificial intelligence
- Very popular trend in the last 10 years
- Machines mimic human intelligence
- Seen in Google, Netflix, Siri, Amazon, autonomous driving, risk and compliance

RPA



- Robotic Process Automation
- Software scripts that automate other software flows or user interfaces
- Use cases include web scraping in banking, application processing for insurance and credit card

Bots



- Short for “robot”
- Automates and executes repetitive, pre-defined tasks to imitate human activity much faster
- Common uses cases include online customer service support and communications

LLM AI



- Large Language Model AI
- Uses deep learning and large amounts of data to generate natural language texts
- Seen in generative AI applications such as ChatGPT

DIGITAL TRANSFORMATION

Digital transformation overall is the most important trend motivating change in the business world and in the software industry, according to DCPA keynote speaker Aaron Harris, chief technology officer at SAGE. It has been driven by the availability of AI; by cloud computing, which has impacted the accessibility and economics of change; and by COVID-19, which forced businesses to accelerate digital use to survive.

Sometimes, it's possible to tell immediately that an innovation will have a significant impact. ChatGPT, a revolutionary new Large Language Model (LLM) AI, is a case in point.

"There have been very few times in my life when I see technology and I think, everything just changed," said Harris. He reported having that sense in first seeing ChatGPT, along with related technology that is creating original artwork. According to Harris, the level and impact of disruption is hard to predict, since ChatGPT can provide more sophisticated answers than existing chatbots, such as Siri and Alexa.

CPA.com is collaborating with Pascal Finette, co-founder of be radical, on a new experiential program applying low cost/no cost AI systems to various accounting and finance functions, with resources and tools expected to be available Fall 2023. "For years, small to mid-sized accounting firms have heard about the potential impact and opportunities that AI will provide. There is a perception that these tools are only available to enterprise organizations or the firms that can invest millions of dollars into developing," said Kacee Johnson, vice president, Strategy & Innovation, CPA.com, who is leading the AI initiative. "This new program will not only show how ChatGPT or other generative AI systems can automate certain accounting and finance functions, but we will provide the how-to for practitioners to be able to do it themselves in various use-cases that make sense for their own firms and clients."



The verse of ChatGPT

Keynote speaker Aaron Harris, chief technology officer, Sage, read a poem that ChatGPT was asked to create about accounting, written in the style of the poet William Butler Yeats. The result:

In the ledger's pages, numbers dance

A symphony of debits and credits

A language of finance and chance.

The poetry of accounting, it fits.

With pencil in hand, we keep score

of every penny earned and spent,

Tracing the flow of wealth and more,

As the accounting year is bent.

PEOPLE-FIRST SOLUTIONS

Leveraging emerging technology and automation tools is one solution in the continuing challenge of human capital. But with these ongoing staffing shortages throughout the economy, it's time to embrace other new approaches as well.

Learning from CAS practice success

When it comes to staffing, CAS practices are doing a number of things right. These practices have a 6% turnover rate, based on the benchmark study, compared with an average of 18% for most companies. Among other things, CAS is an attractive option for staff eager to advance their skills, challenge themselves, and benefit from a culture that thrives on lifelong learning. It doesn't require the long and unpredictable hours of a traditional tax practice, but instead features a more balanced and evenly spread work schedule. Successful CAS practices are dedicated to upskilling their teams to keep pace with new opportunities and emerging client needs. They are also creating the kinds of flexible, consultative working environments that today's professionals seek.

D CPA panelists cited these best practices for enhancing CAS service line knowledge and competencies:

- **Leveraging the bench of professionals within the firm that are outside of the CAS practice.** Professional advisory firm Rehmann uses outside consultants to expand its skills and provide new services for clients. Many are experts in its selective range of industry verticals.
- **Hiring CFOs with a background in the firm's industry niches to develop and lead CAS professionals.** Dean Dorton, one of the largest public accounting and advisory firms in the Southeast, has found they bring real-world business experience and insights.
- **Use a standardized tech stack to facilitate upskilling.** The team at Wiss assign an owner for each program, someone who onboards the team and keeps them informed on updates.
- **Offshoring or outsourcing work.** Benefits include having 24/7 access to talent, according to Yogi CPA. In hiring offshore, UHY LLP finds that at first





it may be easier to leverage a third party's expertise and services rather hire talent directly. Given the rapid growth of CAS practices, Withum recommends starting a small cohort of new people on a regular basis to keep up with the pipeline and build a range of expertise levels.

- **Implement a solution support help desk to ramp up knowledge among firm members and clients using standard help desk software.** At Rehmann, trainers monitor help desk questions to see how well questions are resolved and spot staff education needs. Seeing the top issues that arise has been pivotal for the firm in making a leap forward.
- **Take advantage of training offered by the firm's associations and alliances.** In addition to technical topics, it can include sessions on the best ways to take on leadership roles within the firm and at clients.

Embrace change management leadership

In a time of great disruption, instead of focusing on managing change, leaders should be thinking about how to effectively lead people through change, according to DCPA speaker Arianna Campbell, shareholder and consultant,

Boomer Consulting. She cited research showing it's possible to significantly increase acceptance of new approaches if change leaders can answer two employee questions.

- **Why is change needed?** It's best to address this concern proactively, just as team members are learning—and perhaps worrying—about a new idea.
- **Why is this better?** People will want to know if it makes sense for the organization and for themselves. Be prepared to articulate the benefits of change and get buy-in from all levels.

Effective change leadership means:

- Moving from a fixed mindset to a growth mindset.
- Spending more time identifying and understanding a problem than fixing it, to ensure the right problem is being addressed.
- Engaging early on with people who are resisting new processes, then listening to their thoughts and incorporating them when feasible.
- Communicating often, since the way forward will change frequently.

A CRITICAL FUTURE ROLE

Wherever you are in your journey ascending the staircase of opportunity, understand that the future is created in the present, leadership expert Simon Bailey told DCPA participants in his keynote. "Now's the time to get started," he said. "This is the moment to say, 'How do I add value?'"

CPAs are expanding and enhancing their skills to take on new challenges. Firms are harnessing technology and driving new innovations that match and exceed client expectations. Organizations are turning to CPAs for trusted assurance and advice in a rapidly changing and uncertain economic environment. "We have a great purpose," Asgeirsson said. "With digital systems we have the ability to provide more valuable information to the markets, attest to the integrity of that information and help companies gain access to capital."

The profession has always delivered in these areas, but it now has new technologies, skills and strategies to expand their roles. "We can perform at a higher level and make a bigger impact," Melancon said.



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