

Digitisation asks Fundamental Questions of the Accountancy Sector

BY BEN LAKER

Estimated at \$23 billion, the Digital transformation market is growing rapidly across the globe, with 23 percent of activity residing in the UK, 21 percent in Australia and 20 percent in the US.

According to Source Global Research \$5 billion of the \$23 is serviced by the Big Four consulting firms, who together hold 21 percent of the market. 12 percent is captured by Deloitte, the current market leader who conclude that “strategy, not technology, drives digital transformation”. This view challenges widely held consensus, but supporting research within the *MIT Sloan Management Review* and Deloitte digital business study suggests that the strength of digital technologies – social, mobile, analytics and cloud – doesn’t lie in the technologies individually. Instead, it stems from how companies integrate them to transform their businesses and how they work, a finding consistent with our own research. New capabilities make new solutions possible, and needed solutions stimulate demand for new capabilities, for as Capgemini Consulting suggest, all sectors are urgently required to “unleash the transformation potential offered by digital innovation”. Yet despite this, many sectors remain somewhat lethargic to change. One sector in particular is accounting, of whom digitisation asks three fundamental questions.

1 When will robots be doing our taxes?
Currently, the sector is subject to pressure on margins as customers are being guided by



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the likes of HMRC to take advantage of simplified and streamlined ways of collecting and submitting accounting data. Other customers are taking advantage of cloud based solutions and undertaking many routine accounting activities in advance of invoking the service of their accountants. This means that many of the traditional accounting services are being automated or undertaken as part of “customer self-service”. As a result and from the audit firm’s perspective many routine tasks are being simplified and rationalised and these process improvements are being passed on to the end customer due to the service becoming more and more commoditised. This perspective is executed against an ever increasing requirement and expectation of quality and integrity of opinion – which essentially means everyone wants it done cheaper, but with more accountability on the shoulders of accountants.

It is this accountability which according to Vasant Dhar, professor at the Stern School of Business, means that robots are indeed coming close to the audit process. They provide the only solution to meet a growing expectancy of integrity of opinion. Humans are likely to get more and more comfortable with machines helping with taxes explains professor Dhar. “Eventually, many of us will trust them enough to compose the entire return for us to sign.”

2 What value added services are accountants developing?
The rise of automation and added competition

in the accounting industry is creating pressures to compete for business using pricing alone. However, this is a losing proposition. Firms looking to compete on price require more clients in order to cover costs, leaving accountants less time per client to provide quality services that can retain existing clients, generate better margins and reduce the immense pressure to add clients.

As a result, the accounting profession looks to focus on other “added-value” services to compensate for the decreasing revenue streams from traditional service offerings. This will drive a cart and horse through traditional model of the accounting industry as they will need to consider other ways of adding value and creating new revenue streams. As a result many firms will transition from typical compliance-related work, such as taxes, payroll and general bookkeeping, defined as Type 1 services.

The future lies in Type 2 services, which provide opportunities to deepen existing relationships through upselling, or selling more expensive versions of existing services, and through cross-selling, or providing new services to existing clients. However, this type of activity requires a complete change of beliefs, and this leads to a third question, more fundamental than the previous:

3 What beliefs held by the accountancy profession should change?

Our recent research study across the spectrum of performance comprised of 20,000 hours of analyses and interviews with thousands of employees from organisations including Deloitte and PwC. We conclude that the secret code behind consistent, high-level success in sales is the beliefs held, not behaviours demonstrated.


As we believe, so we will behave. Beliefs are at our very core, and in order to behave in a way that leads to



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step change, accountants need to radically shift their thinking. Re-education processes exist for the traditional audit partner who will see their role and revenue streams change. However, traditional training and development programmes focus on behaviours, not beliefs. This means that the focus is on the symptom, not the route cause. As such, audit partners will waste their time and firm resources, and not leverage Type 2 service opportunities.

Only training and development that focus on beliefs will lead to a change in mindset as well as a potential change in capability, and the way in which they interface with their clients. Beliefs provide us with the motivation to deploy certain talents or skills. They may promote or inhibit certain behaviours. And they have a major impact upon our sense of self, of who we are, and why we do what we do. It was Sir Winston Churchill who said, “To improve is to change. To be perfect is to change often.” We may not ever be perfect, but we can believe that it’s good to try. If we hold this belief, we are prepared to accept that the way we have done things in the past may not be what leads us to future success. We are also accepting the premise that change

is good. Who knows, we might even become better than we ever thought possible. As someone else said, “It’s only failure if you stop trying.” 

This article includes insights from The Sales Persons Secret Code (LID, 2017), a global study into how salespeople behave and driven, which reveals the secret code behind consistent and high-level success. Based on 20,000 hours of research, this book is for any sales professional, or indeed anyone involved in the sales process of their company, who wants to learn the secrets of successful selling. www.salespersons-secret-code.com



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