

REPORT

The Practice of Now 2019

*Insight and practical advice for today's
accountants based on the latest
independent research*



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Introduction

As the accounting profession prepares for the coming decade, there's a confident realisation that clients are demanding more, technology can drive better ways of working, and core beliefs previously driving the profession should now be re-evaluated.

3,000

Accountants can't be wrong

The Practice of Now 2019 includes the findings of independent research commissioned by Sage and conducted by Viga, surveying 3000 accountants from across the globe* in January 2019. The findings reveal what the working landscape for accountants looks like today as well as the future, offering real-world perspectives on how today's accountants can continue to thrive.

* US, UK, Canada, Spain, France and Australia

Foreword: Are you ready for the coming decade?

The decisions accountants make today will define the future of the profession.

Our new research tells us the accountancy profession is on the cusp of an evolutionary change. It's one that will propel it, into the next decade—and beyond.

Whether it's increased client expectations, new regulations, the ongoing digital revolution, or a generational shift, we see evidence that the majority of professionals are actively examining from root to branch not only what is offered to customers today, but the processes and structures behind how their practice is run.

Traditional core skills of bookkeeping continue to have their place, but increasingly, accountancy professionals are looking to disrupt their profession and be heard. We see evidence of the continuing shift from a transactional profession to one focused on partnership and consultancy. To meet this need, accountants are looking outside the profession to acquire the talent and expertise they require.

It would be a mistake to believe the picture is perfect. The data shows concerns about the incoming generation of accountants, with particular reference to their background skills. Our survey respondents are concerned about traditional accountancy training. Additionally, we see evidence that the profession struggles with creating a diverse workforce—one that offers real solutions in the war for talent and prepares it for the coming years.

However, accountants are more positive than ever about the benefits of technology and are embracing new disruptors like artificial intelligence, to benefit from automation. But there's concern that technological take-up isn't happening fast enough.

Tackling workforce issues with organisational design models that benefit people first, but also help achieve financial reward, are fundamental to a happy and (financially) healthy profession.

Accountancy constantly evolves and grows because, ultimately, it responds to the needs of businesses and the people within them. The Practice of Now 2019 shows the shape this change must take for the coming decade.



Jennifer Warawa,
EVP of Partners, Accountants and Alliances, Sage

Overview: An evolving profession

90%

of accountants worldwide believe there has been a cultural shift in accountancy

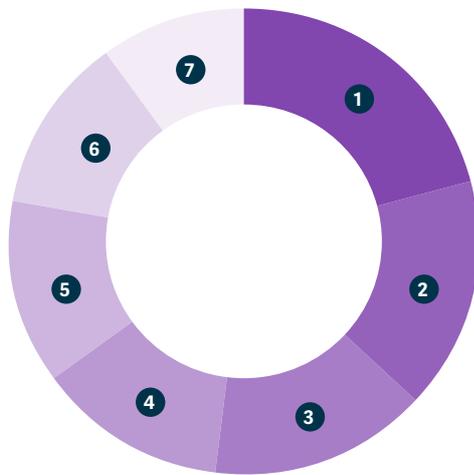
As with any other vocation, accountancy as a profession is responding to business and societal changes as it enters the third decade of the 21st century.

The survey data suggests that the cultural shift is partly driven by clients and the marketplace, which are, together, demanding much more than just traditional number crunching that's historically driven accounting. Workforces are becoming ever more multigenerational. As baby boomers meet millennials, the profession is beginning to be infiltrated by new and different attitudes, expectations and skills. This brings organic change – but also means practices need to offer the same benefits as blue chip companies in order to attract and retain talent.

The ongoing digital revolution is contributing to the overall shift as well, with technologies like cloud computing becoming mainstream and artificial intelligence easing the administrative burden. This helps forward-thinking practices be more productive, but also forces them to accept the challenges of augmenting man with machine.

We see new (often digital) compliance requirements and initiatives that ultimately help evolve the accountancy profession coming from governments and other authorities.

Reasons why accountancy is evolving



- 1 21% Market demands
- 2 16% Regulations
- 3 15% Ongoing digitisation
- 4 13% Generational changes
- 5 13% Client demands
- 6 12% Investments to keep pace
- 7 10% Those who believe there is no evolution

Survey question:
Which of these statements best describes the cultural shift in accounting?

However, this year's survey data suggests accountants are responding to increasing client expectations. They know theirs is a profession on the cusp of change and, to facilitate this, there are some progressive realisations taking place:

- Almost half of accountants surveyed have **formerly examined their business practices as they relate to customers and the evolving marketplace**
- The majority of firms are open to the idea of **hiring outside of traditional accountancy backgrounds**
- The majority of accountants agree traditional **accountancy training programmes will not be enough** to run a successful practice by 2030
- Nearly two thirds of accountants we spoke to believe the profession needs to **pick up the pace of technological adoption** to stay competitive, internationally

The research shows that the accountancy profession might be accused of not doing enough to engage with talent that's already on their doorstep. A diverse workforce will bring different ideas and new ways of thinking to the table. Colleagues will be able to better serve clients. Members of staff that come from a range of backgrounds will have had different experiences, giving them a greater understanding of different viewpoints.

Our research shows:

- Less than a third of firms are actively seeking to **diversify their workforce**
- Even fewer practices have a **written policy on, or a commitment to, diversity and inclusion**

Yet a diverse workforce is likely to be central to empathising or problem solving in various situations. A workforce that mirrors the client base is far more approachable, appealing and creative. All of this helps practices meet the challenges presented by businesses leading up to 2030.

Steady progress

77%

of accountants are 'very confident' or 'confident' in offering more general business management advice to their clients

At Sage, we have been speaking with accountants for over 35 years and have run the Practice of Now study since 2017. It is clear that a steady change is occurring. The role of the accountant is moving further away from the stereotypical image of the person who keeps the books.

Previous years have revealed how the ongoing technological revolution is driving this change, be it the cloud, automation or artificial intelligence. This has pushed through an ever-increasing confidence that an accountant's role could be, and indeed should be, more strategic.

This year's data indicates accountants have accepted, on an emotional and pragmatic level, the changes that are required. More than ever they're ready to be an adviser to their clients, offering marketing, strategy, growth modelling, cash flow advice, and more. Accountants believe they have the ability to deliver a broader set of services, even if they're not currently on the table as part of their firm's short-term plans.



Part 1

More than ready for change

While the accountancy profession might be experiencing a cultural or evolutionary shift, there's little doubt that meeting increasing client expectations starts with the people in the business.

82%

of accountants said they are considering recruiting from a non-traditional background

This emphatic statement from the accountants surveyed indicates that, by 2030, accountancy practices will look and operate differently compared to today, with many more skill sets available across the board.

Furthermore, 43% of respondents say that new accountants joining the profession should have industry experience outside of accounting.

"Accountants are starting to understand that a successful firm is actually a relationship management business," says Michael Office, Global VP of Accountants at Sage. "Engaging with clients, managing the relationship, making sure that accountants contribute towards their clients' success—this requires firms to have different skill sets within their practice."

In a separate question examining skills, relationship building was also listed by the survey respondents as

important for new accountants joining the profession, along with technological literacy, business advisory skills, and project management abilities.



Michael Office,
Global VP of Accountants, Sage

Additional skills accountants need



Survey question: What additional skill-sets do you believe that accountants joining the industry today will need?

But all of this is leading to a very clear problem, which is that accountancy training is becoming viewed as increasingly inadequate.



62%

agree that today's accountancy training programmes will not be enough to run a successful practice by 2030

A mere 13% of respondents believed that accountancy training was adequate for the coming decade.

"Accountant training has traditionally been all about understanding the legislation," comments Chris Downing, a former senior accountant who is now Global Director of Accountants at Sage. "The whole training approach needs to evolve in a holistic way—understanding how to work with people, how to get the best out of people."

There are signs that certification bodies are moving towards change. For example, the ACCA in the UK says it is evolving its qualification to take into account "technical and ethical abilities, intelligence, creativity, digital skills, emotional intelligence, vision and experience." The AICPA in North America is consulting on revising its certification because of changing client expectations and technical innovations.

For Michael Office, it all comes down to simple people skills.

"How do I engage with my clients more deeply, and in a real-time way? How do I provide advisory services? How do I become their success coach? As



Chris Downing,
Global Director of Accountants, Sage

a profession, we need to either think about how we evolve the way we train accountants to address the gaps made by the development of technology, or you complement traditionally-trained accountants with skills that address the gaps within your practice."

"Fundamental to providing broader business advice is understanding how businesses work. For example, can an accountant provide marketing advice if they don't have marketing expertise? Where can these skills be brought in from? These questions need to be answered. There's a tremendous amount of value in a business consultant with an accounting background. The two married together provides competitive advantage."

Jennifer Warawa,
EVP of Partners, Accountants and Alliances, Sage

Part 2

A diverse workforce for today—and tomorrow

Accountants are well aware that the generation of today will drive the success of the profession in the coming decade, providing the talent that will build modern and diverse teams. But this year's data identifies an underlying issue not yet addressed by many practices.

30%

of firms say they're actively seeking to diversify their workforce

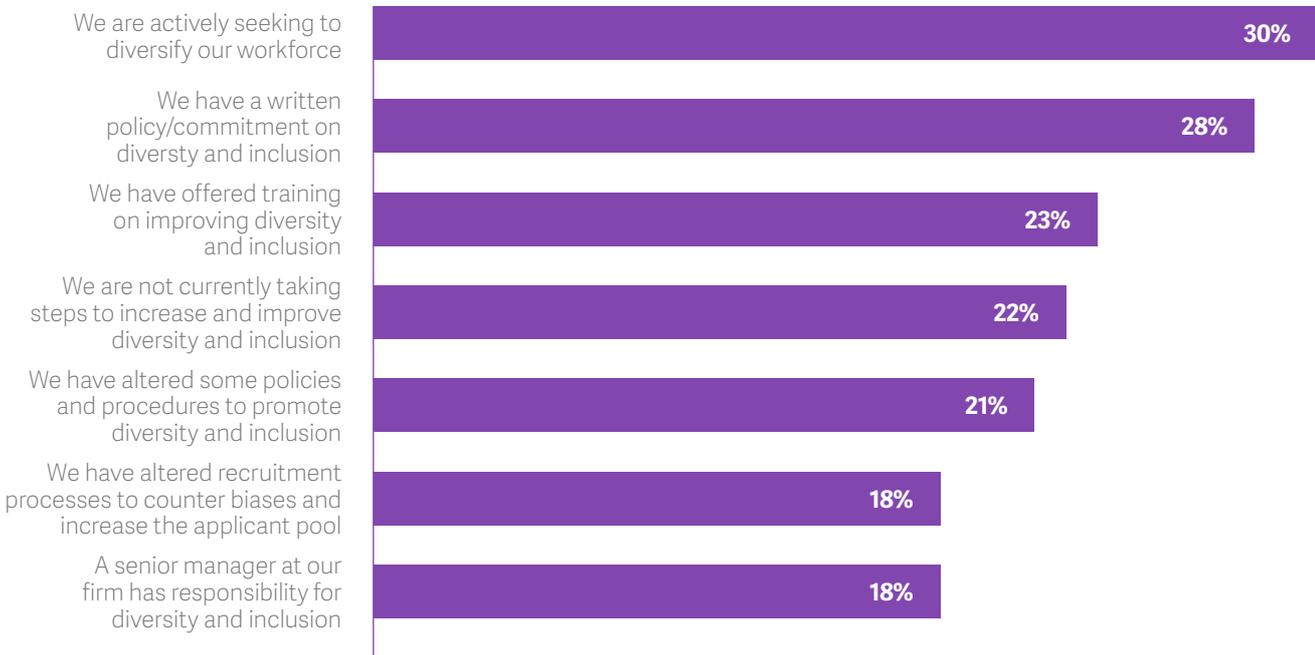
With a gulf in the talent needed to build a modern, digital firm, a commitment to building a diverse workforce is vital—one that makes use of individuals with a broad range of skills, and from a broad range of backgrounds.

Many enterprise-level businesses have policies intended to attract and retain talent from all backgrounds, thereby filling their business with people of different levels of educational or physical ability, ethnicity and gender. These businesses have realised it's imperative that the workforce is representative of the customers they service.

However, our research shows only 28% of our respondents have a written policy on, or written commitment to, diversity and inclusion. Fewer have offered training (23%) or have altered any policies or procedures to promote diversity and inclusion (21%).

These figures vary little from country to country. The profession seems to be lagging behind in diversity and inclusivity, where there could be an area of immense opportunity.

Diversity and inclusivity in accountancy



Survey question: Is your firm taking active steps to increase and improve diversity and inclusion when recruiting and retaining talent?



The value of a more diverse workforce is in matching the expectations and experiences to those of your client base. So says Jules Carman, Head of Global Alliances and Digital Transformation for Accountants at Sage: "People from diverse backgrounds bring experiences that others may not have had. This will be imperative as the role of the accountant evolves to becoming an advisor. It's all about the people that bring experiences, and the relationships."

There's certainly evidence the general business landscape continues to evolve.

Women-owned businesses in the United States grew a massive 74% between 1997 and 2015, according to research.* Fourteen percent of those businesses were controlled by African American women. In the UK, the Stelios Award for Disabled Entrepreneurs saw a record number of applications in 2018, up 12.5% on the previous year.

"Diversity in the workplace fosters a much greater trust, a much greater sense of teamwork," continues Jules. "It offers different ideas and different perspectives on things that as a practice, as a team of people working together, can make them more efficient."



Jules Carman,
Head of Global Alliances and Digital
Transformation for Accountants, Sage

"The voices of people with less experience are frequently not heard. New recruits are often only allowed to undertake junior tasks because the senior partners are the ones who have a richer experience. That's limited thinking. We need to give them a voice in order to take advantage of the benefits that diverse perspectives bring to any organisation."

Jennifer Warawa,
EVP of Partners, Accountants and Alliances, Sage

* 2015 State of Women-Owned Businesses Report, American Express

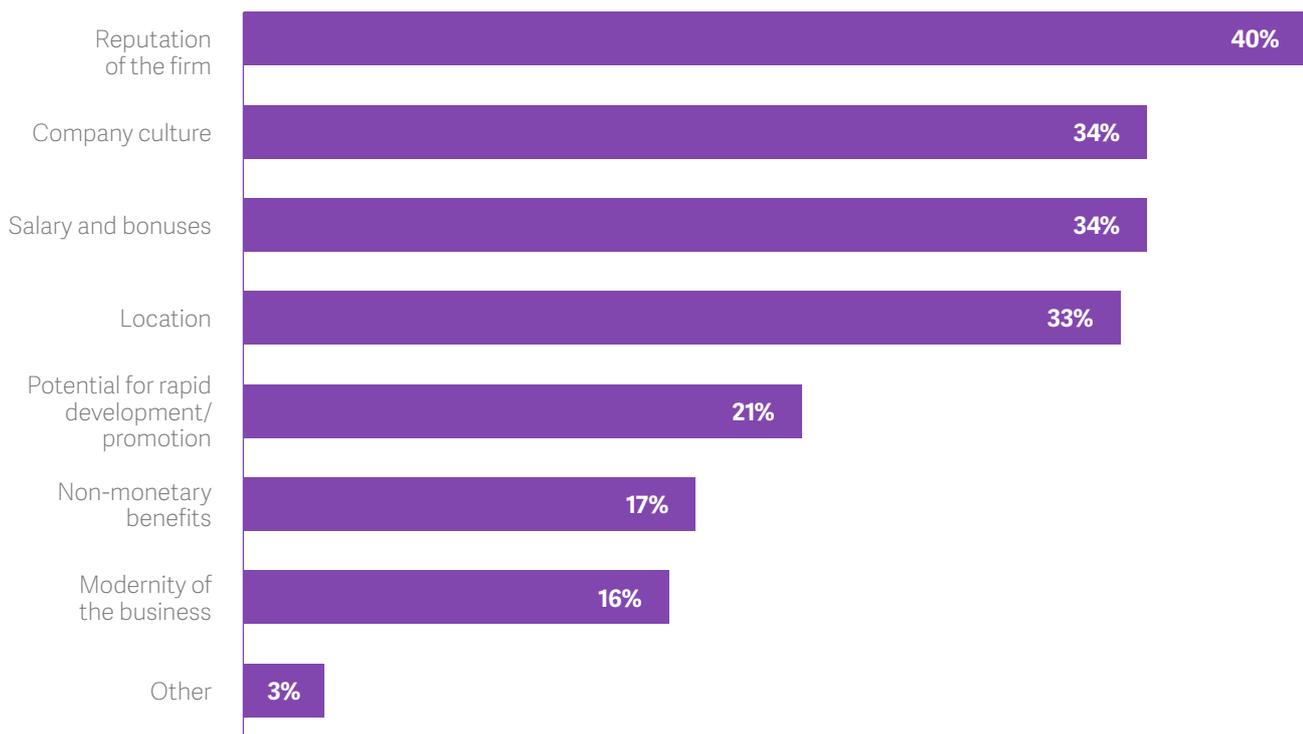
40%

of new staff join a practice over its competitors because of its reputation

A diverse practice might be seen as one that's also forward-thinking and modern, which is undoubtedly good for its reputation in the modern world. This will surely mean diversity, by association, will become a key driver for recruitment in the coming years.

Other important factors for new staff choosing a practice over a competitor are company culture and other well-known factors such as salary, bonuses, location, and potential for rapid development/promotion.

Reasons recruits join a firm over its competitors



Survey question: What are the main reasons new staff join your practice as opposed to competitors?

"Looking forward, an accounting practice has to be thinking about recruitment," concludes Jules. "They need to ensure that new recruits get the best possible experience from day one, and ensure they're being coached. They need to be given every

opportunity to go and explore and be comfortable enough to play. Because these are the people who, given the freedom, will help invent new ways of working, and new processes."

Part 3

Building a practice ready for the next decade

Accountants can not only see the issues in the coming decade, they're preparing for it.

49%

of accountants have formally examined their business practices in the last year

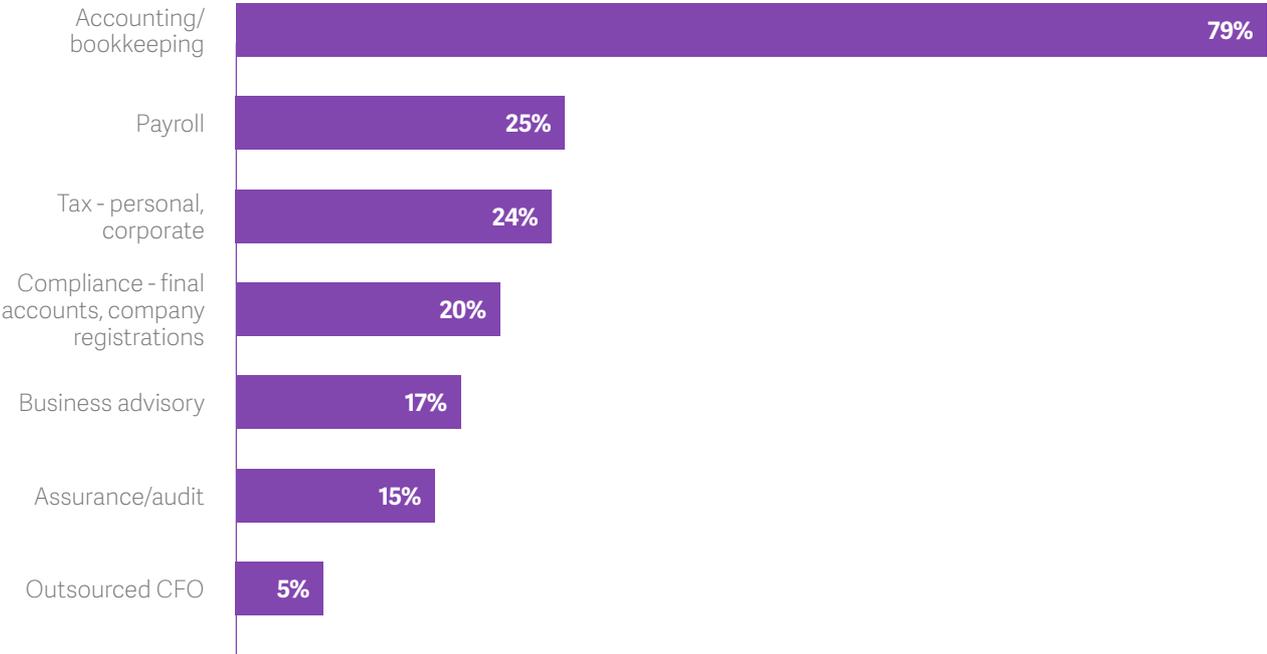
This is in relation to customers and the evolving marketplace. A further 26% have formally examined their business practices in the last five years. All the signs point to a profession building for the future.

Accounting and bookkeeping remain the dominant service offering in practices worldwide. Although payroll (25%), personal and corporate tax

management (24%), and compliance work such as final accounts/company registrations (20%) are all popular, albeit with some large fluctuations by country depending on the individual business and accounting cultures.

Business advisory services (17%) and outsourced CFO (5%) remain a significant growth opportunity.

Services offered by accountants



Survey question: What services do you specifically undertake at your firm?



For Chris Downing, the increasing digitisation of tax—mandated by governments or legislators worldwide—is partially the cause for accountants examining their business practices.

“Legislation is now mandating how businesses operate, requiring them to take the digital route to submitting tax returns online. It’s a landmark change in terms of how accountants interact with their clients. Accountants are receiving data more efficiently, which also means that actually they’re engaging with clients more often.”

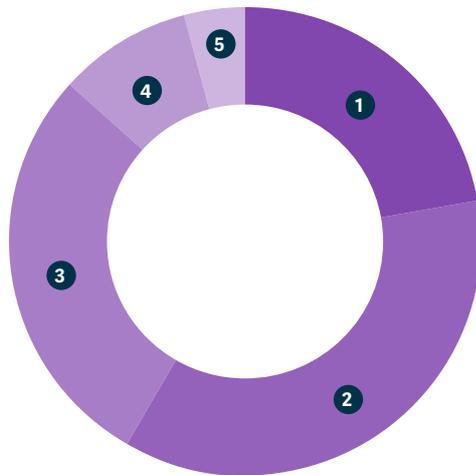
Technology is undoubtedly driving change in accountancy practices. The majority of survey respondents (56%) cite the increased productivity allowed through technology advances as the main benefit of technology, with a further 27% viewing the timesaving aspect as its most important value, as it relates to allowing them to focus on customers.

More than a third of accountants surveyed (35%) regard their firms as early adopters of technology, investing readily in the best technology available in order to stay ahead of competitors and diversify their offerings. A further 58% are moving more slowly, only buying what they need to keep up or to satisfy client expectations.

Emerging technologies also have a part to play in modern accountancy. More than half (58%) of the survey respondents look forward to adopting relevant artificial intelligence (AI) applications, which they believe will be made available in the next three years. Respondents envision a wide variety of ways in which AI could aid them, with the most interest being in ways to cut out some of the drudgery of data entry, number crunching and routine communications.

Make no mistake: Our survey indicates that accountants understand what technology offers and are ready to exploit its benefits.

Artificial intelligence will help automate tasks and improve my firm



- 1 22% Strongly agree
- 2 36% Agree
- 3 28% Neither agree nor disagree
- 4 9% Disagree
- 5 4% Strongly disagree

Survey question:
To what extent do you agree with this statement:
In the next three years, I will use some form of
artificial intelligence to help me to automate tasks
and improve the way that I run my business.

85%

of accountants believe that the profession in their country needs to pick up the pace of technology adoption to remain competitive internationally

While there's a high degree of IT positivity within the profession, many still believe more needs to be done.

Michael Office says this is merely the symptom of a technically mature landscape.

"Practices have gone through a change curve. They've made deep realisations about technology and how it can change or even revolutionise how they work. They've gotten to a place where they've accepted they can shift toward advisory services. But now they find themselves asking, 'How do I speed up?'"

When asked why firms are lagging, reasons stated include a lack of time and money to invest in digital transformation (13% and 38%, respectively), although 25% of firms state a lack of expertise is holding them back.

For Michael, firms need to remember that there's more to embracing the cloud than merely using new apps.

"It's not just about technology. It's about support and advice. Who can come in and enable business transformation, or help transform your processes and the way you engage with your clients?"

"Accountants are at different stages of technology adoption. I don't believe this is as much of a cost issue as it is about fully understanding the return on investment. As technology advances and becomes more robust, what we see now as emerging technology will soon become the norm, and then accountants will be able to more clearly see the positive impact on their firm and their customers."

Jennifer Warawa,

EVP of Partners, Accountants and Alliances, Sage

The Practice of the Future—in 2030

Accountancy practices are evolving, both in the way they serve their clients and in how they function as a business. As we've seen, accountants believe that accountancy training is not enough for the coming decade. We've also seen they're positive about how technology will benefit them in the coming years.

Here are five ways that Sage believes accountancy practices in the future are likely to be different from today, with much of it empowered by technology and the switch to advisory services.

#1 No manual data entry

Data will flow automatically from clients and their bank accounts into accountants' systems. Manually keying in data will become rare with legislation, like the digitisation of tax, forcing businesses to change.

#2 Real-time relationships

The relationship between accountants and their clients will be near-instant. The accountant will have a real-time view of their client's business and will be able to interact with that client in real-time. The accountant will be a trusted partner or even a constantly present companion.

#3 Proactive alerts and notifications

Accountants will know instantly when things change for a client. For example, the accountant is alerted when their client suddenly incurs a lot of bad debt resulting from a big order placed by the client's customer whose credit rating is low.

#4 Pre-emptive problem solving

Accountants' time will be spent proactively looking at business problems and seeing errors before they manifest themselves into year-end error corrections.

#5 Higher fees—but better value

Accountants will charge more to clients than they do today because of their increased value due to their advisory services. Fees might not grow by that much, of course, but accountants will be able to monetise better.

“Over the next decade I think firms will need to become more rounded in terms of skill set. They're going to start to identify functional expertise that's needed to take their business to the next level, such as marketing and sales. It won't just be about accounting work any longer—diversity will become important. Firms will start to leverage diverse backgrounds and experiences to gain a competitive advantage.”

Jennifer Warawa,
EVP of Partners, Accountants and Alliances, Sage

The view from the UK

This year we asked several questions of UK accountants to discover their concerns and better understand how they view the accountancy landscape.

31%

of accountants believed Making Tax Digital should be delayed because of Brexit

Both Making Tax Digital (MTD) and Brexit are likely to have been front of mind for both business owners and accountants in the year since the previous Practice of Now report was published. MTD for VAT was introduced in April 2019, after a long and arguably difficult gestation, while uncertainty over Brexit has engendered a conservative business environment.

For Julia Wedgwood, Insight Lead for Accountants at Sage, Brexit and MTD are linked from an accountancy perspective. "Brexit itself will have implications on compliance—and any compliance change is easier to adopt if records are digital. All compliance changes provide opportunity for the profession to help businesses by providing certainty in times of uncertainty."

At the time of our survey in January 2019, nearly half (46%) of accountants surveyed in the UK reported many small businesses were unprepared for MTD,

and a more limited 22% agreed with the suggestion that businesses had been given plenty of time and information to prepare for the change. Yet there was also some optimism that MTD was a good thing—28% agreed that MTD will modernise and streamline tax affairs.



Julia Wedgwood,
Insight Lead for Accountants, Sage

“I think MTD is worth it in the long run,” says Sudipta Moore, of Moore Accountancy, a five-person practice in Manchester. Even following Brexit, she says, things should be smooth from this point onwards: “Even with the uncertainties of Brexit, the next MTD rollout isn’t going to happen until 2021 so we have time to get ourselves in order.”

Wedgwood adds, “If we look at history—Real Time Information (RTI) requirements, plus auto enrolment, and so on—no business was left behind, although practices will be busy up to the deadline getting clients ready.”

Moore suggests that the next MTD rollout—likely to be for certain kinds of income tax—should perhaps start with a financial ceiling to ensure the take-up is limited. However, she’s concerned that HMRC won’t do enough to communicate MTD to relevant businesses, if the VAT rollout was any measure.



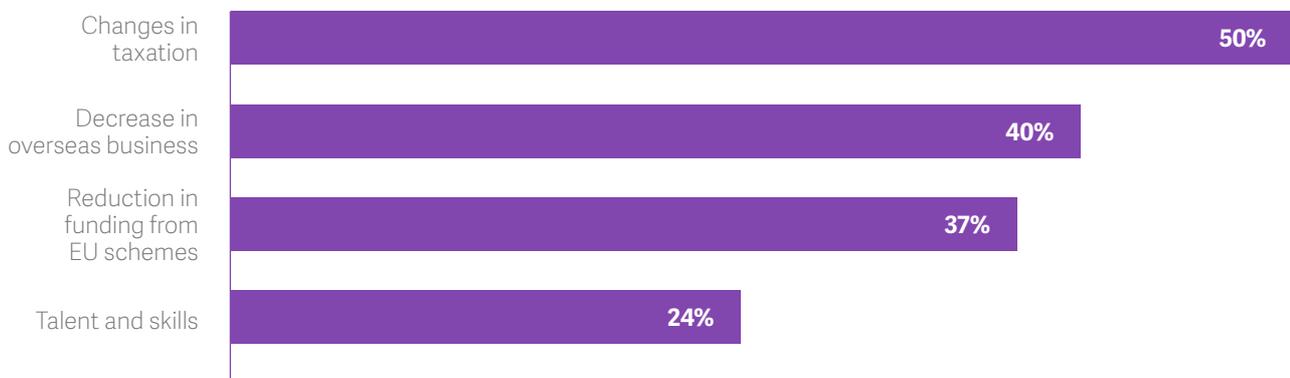
Sudipta Moore,
Moore Accountancy



52%

of accountants in the UK believe Brexit will have a “neutral” impact on their practice

Brexit’s impact for accountants

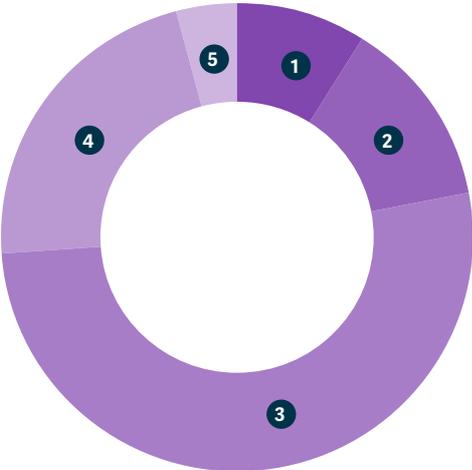


Survey question: Where do you think the impact of Brexit will be felt for accountants?

While the nation has been gripped by Brexit fever, the majority of accountants are evidently taking a more sanguine view. Speaking at the time of the survey in January 2019, some believed it will have a positive impact on their practice (22%), and some believed it will have a negative impact (26%). These two groups are roughly evenly balanced—and in the minority within our survey.

As for Brexit’s impact on the accountancy profession, half of accountants believe it will take the form of changes in tax legislation, and many predict a decrease in overseas business.

How accountants see Brexit's impact on their practice



- 1 9% Strongly positive
- 2 13% Positive
- 3 52% Neutral
- 4 22% Negative
- 5 4% Strongly negative

Survey question:
Overall, what impact do you think Brexit will have on your practice?

Moore thinks it's a matter of splitting out the impact between the work she does as an accountant and the requirements for her clients.

"Personally, I don't think Brexit will have a massive impact in terms of tax legislation. The UK has, over the years, put into law a lot of EU standards, such as FRS102. That was initially based on international standards. So I think, from an accounting perspective,

there won't be much change. But from a business perspective, for our clients, there could be lots of upheaval."

She continues, "Can we exploit any of this, as accountants? I think our biggest challenge is going to be trying to keep up to date with all the changes in a very short period of time, if there are any, and then being able to communicate them to our clients."



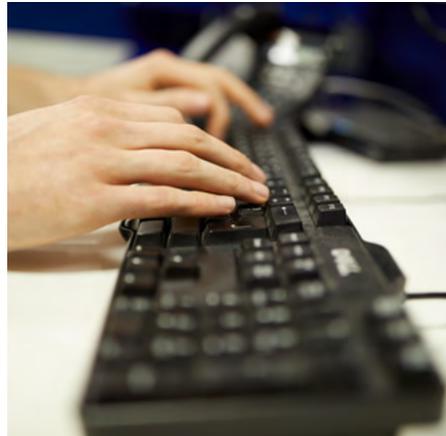
45%

of UK accountants say the needs of clients are the biggest influence on their practice's culture

A dominating theme globally from this year's Practice of Now research is that a cultural shift is taking place in the accountancy profession. However, in the UK, our survey suggests the needs of clients are still considered by the majority of accountants to be central to defining their practice culture. Although the needs of employees (cited by 15% of respondents), external industry factors (cited by 17%) and technology enhancements (22%) all influence practice culture in their own way.

"The needs of clients always will be the biggest factor," says Moore. "But I think, for us, Making Tax Digital, GDPR, integrating accounting portals, and more have probably been more of a driver of change, or at least a change in the way that we do things in the business. Client needs on the whole are still the same."

This is again reflected in the UK survey response, which stated that the majority of accountants are confident about either offering and tailoring a broad range of software to businesses (27% of respondents) or have a selection of apps and products they know well and are confident offering to clients (34%). However, nearly a quarter of respondents said they don't offer any apps or products to clients, which represents a massive business opportunity for those firms.



Conclusion

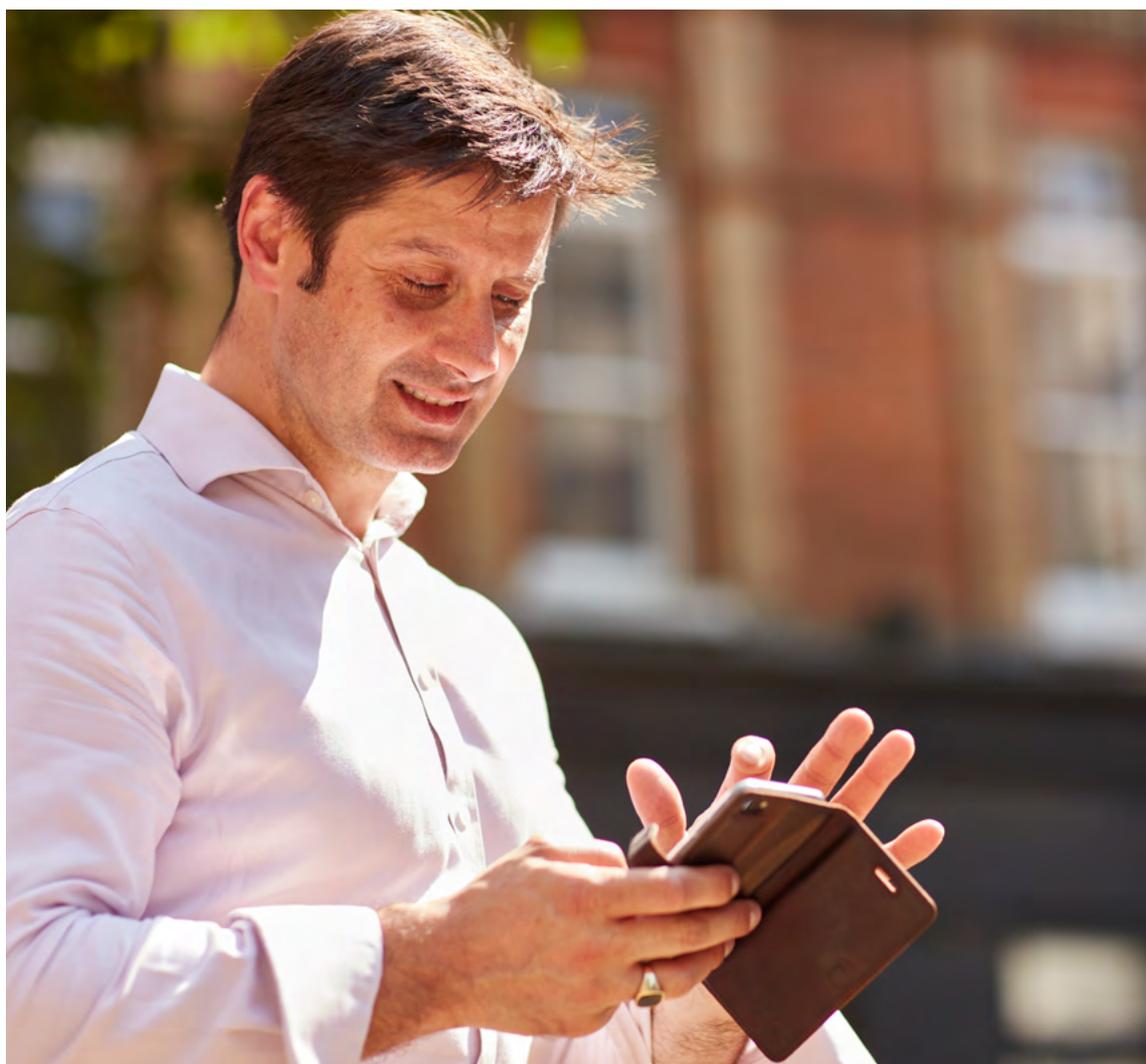
The Practice of Now research from 2019 provides the most useful signposting an accountancy practice could receive as they enter the third decade of the 21st century. The outlook for accountants is positive, and their appetite to adapt and evolve is high. However, it's also clear that to be successful in the years to come, accountants need to embrace change.

We see that accountants are on the cusp of change with the vast majority believing there has been an evolutionary shift in their profession.

Accountants are moving to embrace this change. They are aware that new skills and experiences are needed, including a need for greater diversity and evolved accountancy training programmes.

Over half of the accountants we spoke to have already been empowered to offer more advice, support and value to their clients through better technology. Yet most also believe that the profession in their country needs to pick up the pace of technology adoption to empower desired change.

If there is one certainty, the next decade will see a high degree of transformation. The role of the accountant will change, with the ultimate benefactors being the clients they serve.





No matter how you and your clients work today, discover how Sage can help you achieve your ambitions:

<https://www.sage.com/en-gb/accountants>