



WHERE KNOWLEDGE IS POWER

# Not Just a Number Cruncher

Meet the New Accountant



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# How Disruption Inspires Evolution in Accounting

“Disruption” is as predictable as an annual county fair. The innovation of new technology is its own inherent vice as it paves the way for even newer technology to come along and displace it. There are professions, however, that appear to live safely above the volatile, ever changing world of innovation. The practice of accounting is timeless and rooted in tradition, driven by core principles. Having said all of that, complicated tasks that require years of study for a human are as simple as a few lines of code for a computer to process. But this is far from an “uh-oh” moment for accountants.

There is a silver lining for accounting firms and it presents itself as a golden opportunity. The new role accountants can fill serves a far greater benefit to their clients, and at many of the most successful firms they’ve already caught on. There’s a difference between a service provider and a value driver and one of them is far more difficult to disrupt.

## THE EVOLUTION OF ACCOUNTANCY



Record indicating expenditures, and goods received and traded.

Government has access to detailed financial information.

Luca Pacioli first publishes book explaining double-entry system of bookkeeping.

The Financial Accounting Standards Board (FASB) establishes financial accounting and reporting standards based on GAAP.



Accountancy is a practice that dates back to ancient civilizations. By the time of the Roman Empire, the government already had access to detailed financial information. Also interesting to note is that a gladiator saw a far smaller tax rate than NFL superstar Tom Brady, although it's safe to assume Brady is happy with the trade-off. It wasn't until the early 21st century that a standardized system was established, the generally accepted accounting principles, or GAAP. The reason for the extremely annotated history lesson is because the rise of the accountant as a number cruncher has been steady for thousands of years. Advancements in technology actually promoted the traditional role of the accountant. The digital revolution, however, is displacing that role. With digital technologies, the next step in growth is a lateral move, albeit a natural one for industry leaders.



# The digital tools **in question**

Accounting software attempts to transform tax filing into a language that small business owners can understand. Although filing your own business taxes without a strong knowledge of the constantly changing tax laws leaves you at risk of costly errors, people are still taking advantage of the available digital tools.

Blockchain is a digital ledger that can't be tampered with or corrupted. It's easy to see **how blockchain will play a role in accounting**, an industry of bookkeeping and the analysis of transactions, but how great of an impact will it have?

It's safe to say that this new tech won't ever fully replace a professional human being, but it is forcing accountants to reflect, review, and revise their role and the value they provide their clients. It's a matter of adaptation vs. extinction and understanding how to not only fulfill a client's "needs," but also their "wants."

## The new **accountants**

According to management, marketing, and business consultant **Allan Koltin**, the services that accounting firms built themselves on are slowly on their way out as a means of maintaining clients and enticing new ones to come on board. "If you look at those Level 1 services over the next decade, it's a slow death," says Koltin, who has been called the industry's biggest deal broker.

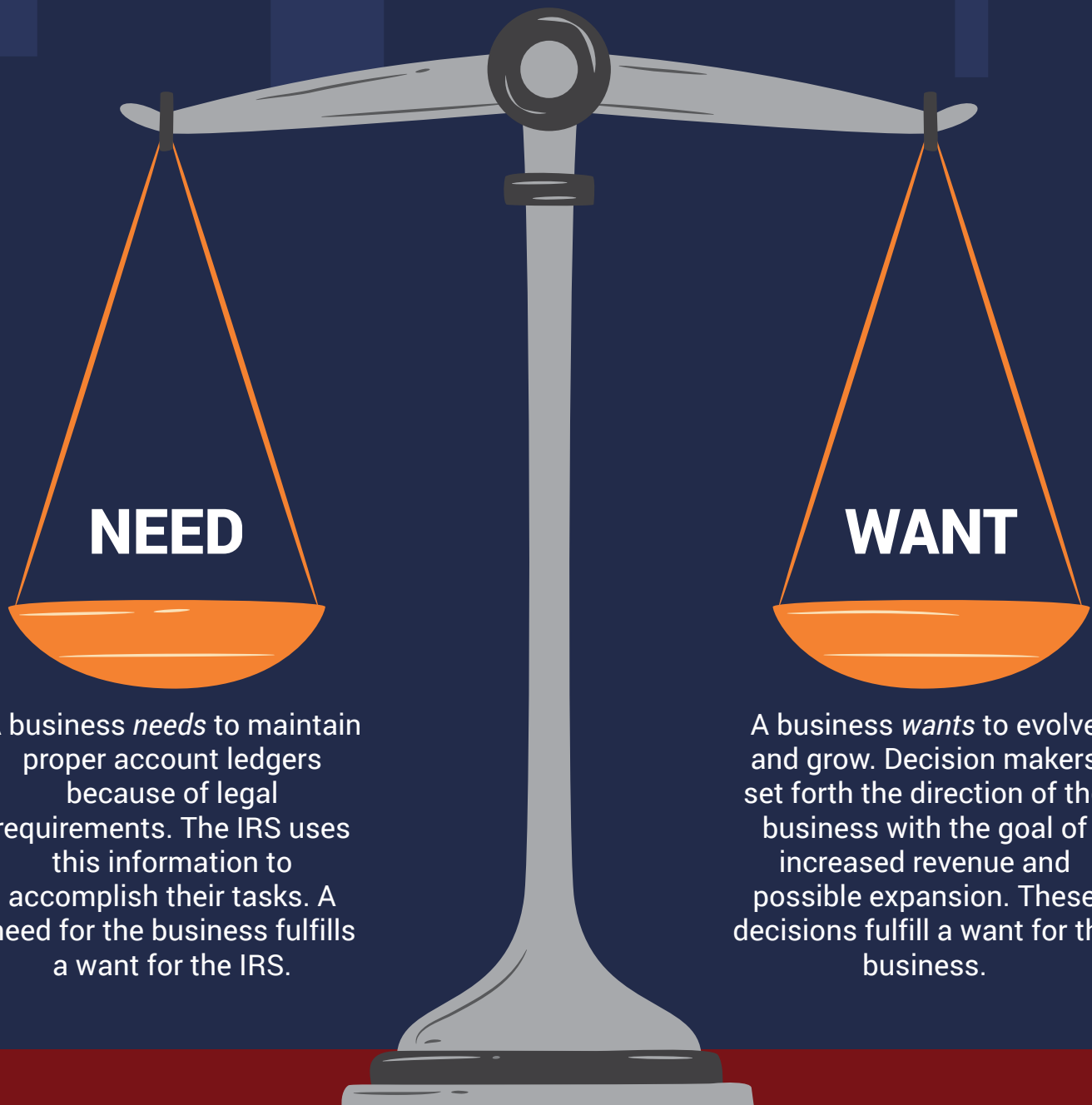


*"A Level 1 service is a service a client doesn't want but needs. A Level 2 service is a service a client both wants and needs, and hence, will pay value for."*

*- Allan Koltin in Accounting Today Nov. 3, 2016*

Let's break down the need vs. want comparison.

# UNDERSTANDING BUSINESS DECISIONS



## NEED

A business *needs* to maintain proper account ledgers because of legal requirements. The IRS uses this information to accomplish their tasks. A need for the business fulfills a want for the IRS.

## WANT

A business *wants* to evolve and grow. Decision makers set forth the direction of the business with the goal of increased revenue and possible expansion. These decisions fulfill a want for the business.



# How accountants are now helping businesses fulfill their “wants”

Accounting firms by design make for incredible thought leaders and the value they can offer clients is deep, research based insight. Koltin, who has a clear understanding of his “wants” describes the ideal relationship. “The partner on the account comes to my office once a month, and we spend 10 minutes talking about the financial statement. We spend the other 3 hours and 50 minutes talking about any business challenge or financial problem that I’m having in my business and sometimes in my personal life.”



## Example:

A client heavily involved in commercial real estate development is in the process of identifying the best possible deals to put together. The ability to share data points that commercial building construction grew annually 10.5% from 2012 to 2017, but is only projected to grow annually 2.3% between 2017 and 2022 and that the industry is currently in a mature life cycle might make an impact on their business decisions. The ability to discuss this kind of information, at such a high level of detail, showcases that the firm is interested in much more than just the business a client provides, but that there is strong interest in the client’s own business. The firm becomes more than just a destination for a service, it becomes a partner in better business planning.

**Example:**

A client is an owner of several pet stores in the southeast region spanning several states. They are debating expansion but are unable to make a decision on the new location. There are specific data points that can be shared that might help make a difficult decision, such as investing capital and opening a new location, easier. Compare annual growth from 2012-17 to the projected 5 years annual growth for 2017-2022. It's a drop from 1.4% to 1.3%. On its own this data can be read as a decline. Compare that to the national figures and a fuller picture starts to develop. Nationally the annual growth declined from 2.7% to 1.8% showcasing that the industry is much more stable in Florida. The level of competition is also lower in Florida compared to the rest of the US. In Florida, the average operating profit in the industry is well above the US overall. Where the US average is a 4.0% margin, Florida pet stores average 6.9%. Trends show that millennials pamper their pets and that bodes well for the industry as the demographic continues to grow.

This kind of information is vital for better and faster business decisions and decision makers look for sources of helpful information. The time is right for accounting to provide not just number crunching, but insights on how to beneficially impact those numbers.



## Accountants **already know!**

American Institute of Certified Public Accountants, or AICPA chair Eric Hansen sees the writing on the wall and relayed the message to a room full of professionals at the institute's annual Engage event. "Where the role of finance departments used to be mostly crunching numbers, really the most valuable part of their work is taking the information and telling a story that helps business decision-makers move the business forward," **said Hansen during his keynote address.** "This is much higher-value and more rewarding work."

Accountants have a strong understanding of their portfolio and use tools such as external professional **industry and market research** to gain insight into economic trends. This research helps firms create balanced portfolios and make faster, better business decisions. That same information is beneficial to clients, and their businesses. The services that accountants should be offering in the digital age are not alien concepts to them. It's just a matter of taking a skillset that already exists, and sharing it with a partner that would find it beneficial. All businesses are looking to positively impact their growth.

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*A service is a task that, sooner or later, will be automated. A value is something unique that clients will pay for because they too see the writing on the wall.*

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## So what does the **New Accountant look like?**

Everything moves much faster these days and the ability to gain deep insight without sacrificing time or man-power results in more efficient decision making. Accountants aren't just computers that process data anymore, they understand the data and can offer guidance to those who seek industry information. Leading firms are already transitioning the role they play for their clients and before long it will be the standard practice for all accountants. The good news is that new skills don't need to be learned. The tools are already in place, they just need to be used in a different way. The information accountants have been using now needs to be shared with their clients, the curtain needs to be pulled back a bit. Being a thought leader in numbers is now part of the bigger picture, and that bigger picture is being a thought leader in market and industry trends.

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