

# 12 Critical Changes to the Accounting Profession

BKR International EMEA/Asia Pacific Meeting

5 May 2014

Hilton Hotel, Istanbul Turkey



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# What Does the Future Hold?



# Agenda

- Countdown the Top 12
- Discuss what these changes are and their implications
- Discuss what this means for BKR International

**Questions and discussion are welcome and encouraged!**

## PwC and Robots?!

- PwC in the UK recently released a video about the future of the accounting profession.



- The future may or may not include robots but there are 12 other more pressing issues that need to be considered by Accounting Firms.



# Compliance = Commodity

- Compliance will (or already has) become a commodity service
- It will be sold by the most efficient, low cost provider
- Many consider compliance a “grudge” purchase
- Once a product is commoditised price pressure is applied
- If your firm’s key revenue source comes from compliance and you are in a high labour cost environment you will need to address technology and low cost labour options to remain competitive
- Additionally “premium” service revenue streams will need to be developed which add value to clients

# **Compliance = Commodity**

## **Key Action Points**

1. Identify your compliance services which may be considered a commodity
2. If significant, consider how to leverage technology and low cost labour to deliver the services and remain competitive
3. Consider developing and offering high value add services to reduce reliance on “commodity” services

elev<sup>en</sup> 11  
eleven<sup>11</sup>  
11 11 11 eleven

A speaker icon is positioned between the two '11' numbers in the bottom row of the graphic.



# Cloud Accounting System for Business

- Around 90% of businesses will embrace cloud technology
- 10% already have
- The biggest mover down under is a NZ developed product called Xero
- Accountants need to promote cloud based solutions – if you don't your competitors will
- Be intimately involved in the purchase decision, implementation and operation of the solution
- Take advantage of the “real time” access to client data to give regular and quick advice rather than waiting 6, 12 or 18 months to analyse a client's data

# Xero: Working in the Cloud



# Cloud Accounting System for Business

## Key Action Points

1. Research cloud based solutions for business available in your area
2. Actively promote your knowledge and expertise in cloud based solutions for business
3. Proactively engage with your clients and guide them to a decision
4. Design a process to regularly engage with your clients based on real time data



# Cloud Operating System for Accountants

- 90% of Accounting firms will embrace cloud technology as their operating system
- 3% have already
- Allows for flexible working. Your team can work together anywhere in the world.
- Allows for maximum collaboration between offices and firms.
- An example of operations in the cloud is Caseware Cloud or Caseware Collaborate recently introduced by the audit divisions across Australia and NZ
- [http://prezi.com/6drjkbq0yrdf/caseware-online/?utm\\_campaign=share&utm\\_medium=copy](http://prezi.com/6drjkbq0yrdf/caseware-online/?utm_campaign=share&utm_medium=copy)

# Cloud Operating System for Accountants

## Key Action Points

1. Research available cloud based practice management solutions for accountants
2. Decide whether this kind of solution suits your circumstances
3. Consider the risks and benefits including internet speed, security, collaboration, backups



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## Business Coaches and Consultants

- Business coaches and consultants will embrace cloud financial analysis tools that enhance their credibility
- They will take business away from Accountants
- Accountants need to be on the front foot in embracing and understanding new technology and have proactive discussions with clients to “protect your patch”
- The one who has access to the financial data owns the long term relationship – don’t let someone else become more financially intimate with your client than you



# **Business Coaches and Consultants**

## **Key Action Points**

1. Research your local business coaches and consultants to understand where the threat may come from
2. Keep closely engaged with your clients
3. Ensure that you have control over the access to the client's data



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# Transient Compliance Clients

- Compliance clients will become more transient as their data becomes more light and portable
- It is important that we are integrated into the client's business via our service proposition
- Gone will be the Accountant with 80% of clients in a 20 klm radius
- Clients no longer at risk from the Accountant next door – they can be located anywhere
- Opportunity beyond your local geographical area for developing your business

# Transient Compliance Clients

## Key Action Points

1. Develop a service proposition that results in close integration with the client's business processes
2. Be aware that your competitors aren't just next door – they can be anywhere
3. Look for opportunities beyond your usual patch.



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# Outsourcing

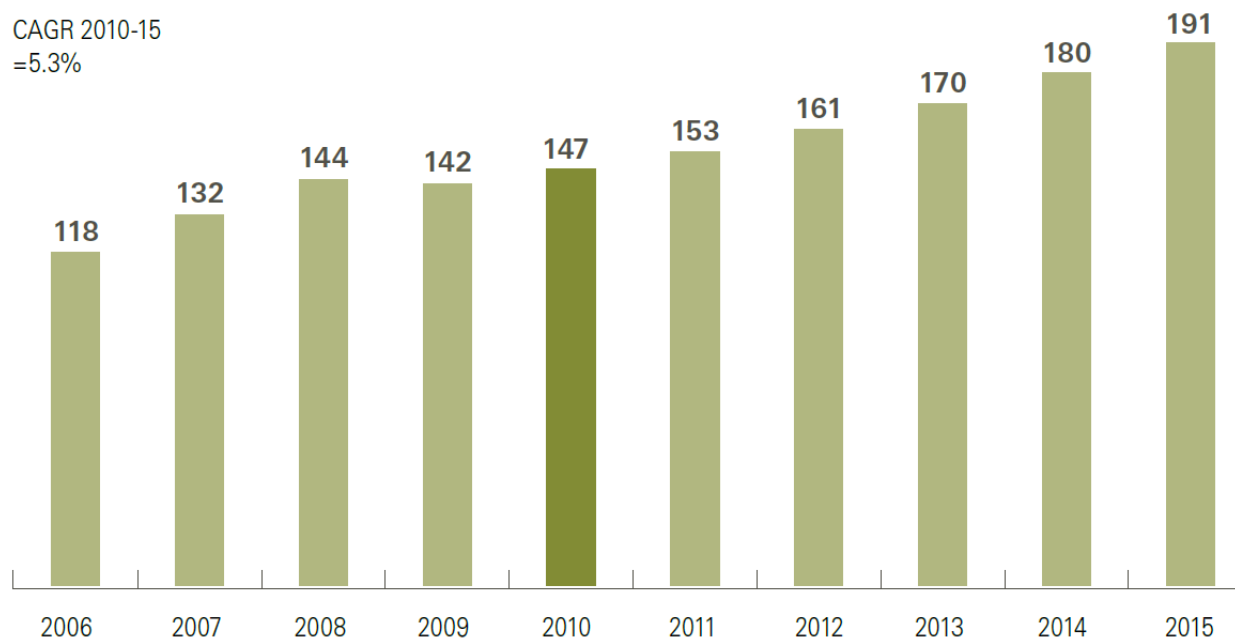
- Cheap and very smart offshore labour will process the majority of “back office” based compliance in higher labour countries
- The local firm will be customer facing and most else will be done offshore
- In the Philippines there are approximately 1.2M people currently hired and growing by 20% pa!
- Fully qualified and paid \$4 - \$7 per hour
- Opportunity to leverage skills that you may not have in your own office

# Outsourcing – Growing Steadily

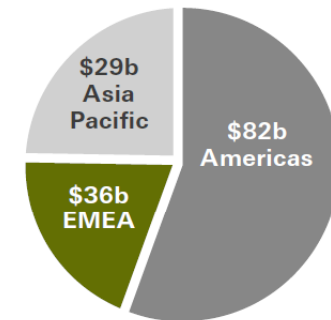
## Illustration 3 – Steady growth forecast for 2012 and beyond

Worldwide Business Process Outsourcing Market – \$US Billion

CAGR 2010-15  
=5.3%



BPO services revenue by region  
2010 – US\$147b



Source: IDC, Worldwide and U.S. Business Process Outsourcing Services 2001-2015 Forecast, Doc # 228081, May 2011.

# Outsourcing – Location Analysis

**Illustration 10 – Location analysis**

	Financial attractivity	People skills and availability	Business environment	Total score	Change in rankings 09-11
1 India	3.11	2.76	1.14	7.01	0
2 China	2.62	2.55	1.31	6.49	0
3 Malaysia	2.78	1.38	1.83	5.99	0
4 Egypt	3.10	1.36	1.35	5.81	2
5 Indonesia	3.24	1.53	1.01	5.78	0
6 Mexico	2.68	1.60	1.44	5.72	5
7 Thailand	3.05	1.38	1.29	5.72	-3
8 Vietnam	3.27	1.19	1.24	5.69	2
9 Philippines	3.18	1.31	1.16	5.65	-2
10 Chile	2.44	1.27	1.82	5.52	-2
11 Estonia	2.31	0.95	2.24	5.51	5
12 Brazil	2.02	2.07	1.38	5.48	0
13 Latvia	2.56	0.93	1.96	5.46	14
14 Lithuania	2.48	0.93	2.02	5.43	5
15 United Arab Emirates	2.41	0.94	2.05	5.41	13
16 United Kingdom	0.91	2.26	2.23	5.41	15
17 Bulgaria	2.82	2.82	1.67	5.37	-4
18 United States	0.45	0.45	2.01	5.35	-4
19 Costa Rica	2.84	2.84	1.56	5.34	3
20 Russia	3.20	2.48	1.07	5.34	13

Note: Weight distribution for the three categories is 40: 30: 30.

Source: AT Kearney, *Global Services Location Index*, 2011



# 20 issues on outsourcing and offshoring checklist

Strategic assessment		Yes	No	N/a
1. Source to support your business strategy	• Does outsourcing or offshoring align with your business strategy?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	• Has a sourcing strategy been established?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Feasibility		Yes	No	N/a
2. Gather facts on current performance	• Do you know what your current processes look like and cost?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	• How does current performance compare to other organisations?	<input type="text"/>		
3. Assess qualitative and quantitative benefits	• Has a robust benefit and risk assessment been completed?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	• How will sourcing enable you to focus on the strategic direction and/or growth of the organisation?	<input type="text"/>		
4. Don't move until your organisation is ready	• Is there (executive/senior management/internal) support or appetite for an offshore model?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	• Have processes been improved sufficiently to offshore?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Sourcing decision		Yes	No	N/a
5. Scale matters	• Is your organisation big enough to take advantage of outsourcing/offshoring?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	• Can a third party outsourcer provide the scale you don't currently have?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6. Don't outsource a problem	• Which activities are appropriate to be outsourced and which should be kept in-house?	<input type="text"/>		
7. Don't chase labour arbitrage	• Will labour cost advantages erode over time?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	• What other benefits should I be looking for?	<input type="text"/>		
8. One solution does not fit all	• What sourcing strategy will best meet the needs of your overall business strategy?	<input type="text"/>		
	• What information is available to identify main trends, key players and aid your decision making?	<input type="text"/>		
Set up		Yes	No	N/a
9. Smart and simple service level agreements	• In the service level agreement, are accountabilities clearly defined and clearly assigned?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	• Are the service level objectives balanced and complimentary, with realistic targets set?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Set up issues specific to offshore captives		Yes	No	N/a
10. Choose the right location	<ul style="list-style-type: none"> <li>Do you have the requisite local knowledge of the preferred location to consider all relevant factors?</li> </ul>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
11. Price to drive behaviour	<ul style="list-style-type: none"> <li>Does your organisation understand the true cost of services you are moving offshore?</li> </ul>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	<ul style="list-style-type: none"> <li>Will your pricing structure drive the behaviour your organisation is seeking to achieve?</li> </ul>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Business briefing series: 20 issues on outsourcing and offshoring

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## Top 20 issues (continued)

Set up issues specific to outsourcing		Yes	No	N/a
12. Select the right outsourcer for you	<ul style="list-style-type: none"> <li>Is the outsourcer's culture conducive to building a trusted working relationship?</li> </ul>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	<ul style="list-style-type: none"> <li>Does the outsourcer have a proven methodology that aligns to your preferred long-term strategy?</li> </ul>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
13. Contract for the long term	<ul style="list-style-type: none"> <li>Does the contract contain detailed operational conditions that could be better managed in the service level agreement?</li> </ul>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	<ul style="list-style-type: none"> <li>Does the contract include adequate termination and exit clauses?</li> </ul>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

<b>Transition</b>		<b>Yes</b>	<b>No</b>	<b>N/a</b>
<b>14. Communicate, communicate, communicate</b>	• Is there a clear plan for communicating the sourcing decision and transition arrangements?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	• Is there a service user guide in place?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>15. Manage the detail</b>	• Is there a seasoned program management team in place?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	• Is there enough support from key stakeholders?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>16. Ensure business continuity</b>	• Are sufficient measures in place to prevent knowledge loss?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	• Has sufficient business continuity planning been conducted?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Management</b>		<b>Yes</b>	<b>No</b>	<b>N/a</b>
<b>17. Maintain good governance</b>	• Are the roles and responsibilities of all key parties clearly defined and understood?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	• Is governance being maintained beyond the transition phase?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	• Are there adequate risk assessment and control frameworks in place?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>18. Measure strategy effectiveness</b>	• Are customers complaining about service cost and quality?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	• Are there 'hidden complaints' such as business units completing work themselves?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	• Is there satisfactory management information on the sourced processes?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>19. Revisit the contract</b>	• Is the current sourcing arrangement delivering the best value in the market?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	• Is the service provider driving ongoing improvements?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>20. Retain top talent</b>	• Does the service centre have a clear employer brand and value proposition in the local market?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	• Is there an active talent retention strategy in place for key personnel?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	• What tools are in place to manage performance?	<input type="text"/>		

# Outsourcing Key Points

1. Consider whether outsourcing is a viable option for your firm (use the checklist)
2. Consider skillsets that you may need in your firm's strategy and whether this can be satisfied via outsourcing
3. Consider and approach BKR firms for assistance with outsourcing



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# Price Pressure

- The price of statutory compliance will plummet by more than 50% of the current price
- Investing in efficiency through IT
- Invest in Nichemarkets and specialising in certain sectors

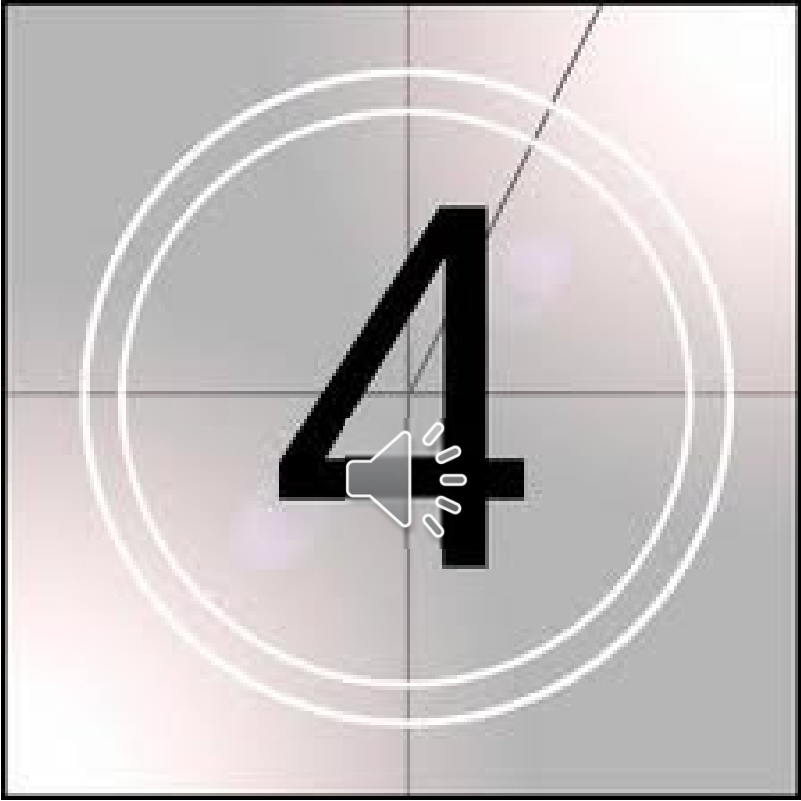


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# Marketing and Sales

- Marketing and sales skills will be learned and implemented
- Train your employees in networking skills
- Other devices: twitter, linkedin, facebook
- Be on top in searching machines
- Create a dedicated site to a nich like [netherlandsthegatewaytoeurop.nl](http://netherlandsthegatewaytoeurop.nl)
- Be the purple cow
- Have a quotationcalculator on your website
- Fixed prices for specific products





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## Attracting Young Staff

- Young people will not be attracted to traditional “staid & boring” Accounting firms
- They opt for technology savvy and value adding Accounting firms
- Scanbookkeeping, apps for data on the smartphone/tablet/other personal devices
- Value adding information on modern devices
- Flexibility in working ours by using the cloud



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# Time Based Billing

- Time based billing will be “out”
- Package services with fixed fees will be “in”
- Fixed fees based on efficiently rendered information from the client, create formats on a portal
- Example: flynth all-in bakerypackage: niche specialist, short contacts, review bookkeeping, VAT return, quarterly report, annual accounts, benchmarkdata, Incometaxreturn:fixed price based on turnover



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## Value Added Services

- Value added services will make up more than 80% of the revenue of an Accounting firm
- Consultancy work is required
- We have to think out of the box, not only traditional services
- Nich- or benchmark information, make it possible to be a stakeholder/authoritie for a group of clients
- When publicised it will give you acces to potential clients



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## Additional Services

- Clients who have been yearning for additional services will finally be served properly by their professional advisors
- Debt collection
- Interim controlling
- mediation



Thank You!