

ICAI Global Professional Opportunities – SMP Perspectives

Dedicated to raise the profile and build the capacity of SMPs globally, IFAC using the input and guidance of its SMP Committee, represents the interests of SMPs to standard-setters and regulators, facilitates sharing of resources amongst them to help them compete globally, and creates awareness in them about their significance, especially with regard to the lifecycle of SMEs. The author of this article, Monica Foerster has been serving the interests and cause of the SMPs and SMEs, as Chair of IFAC's Small- and Medium-Practices Committee since 2017. Carrying a vast professional experience of over two decades, the author narrates the significance of technology and skill management in the growth of SMPs. Referring to the IFAC's Strategic Plan 2019-20 in her last segment, the author declares the commitment of IFAC's SMP Committee to the public interest by promoting the adoption and implementation of high-quality international standards, preparing a future-ready profession, and voicing the concerns of accountancy profession. Read on to understand the leader's vision...



Welcome to the Fast-Future

We are now living in a fast-paced, uncertain, complex and rapidly changing world. I firmly believe that professional accountants and small- and medium-sized practices (SMPs) in particular are well placed to support both organisations and clients navigate this unprecedented environment.

IFAC research has found that, irrespective of jurisdiction, accountants (especially SMPs) remain the preferred advisors to small- and medium-sized entities (SMEs). The professional business advice accountants provide to SMEs is associated with better performance as demonstrated by: improved

rates of survival, growth, improved decision making procedures and superior financial performance.

SMPs have an in-depth knowledge and understanding of their SME clients and are therefore well-positioned to provide a range of services. These services include guidance on business development (i.e., strategy and marketing), human resources, employment regulation, management accounting and corporate advisory. Because of the level of trust between professional accountants and their clients, they are also in the ideal position to direct businesses to other reliable sources of advice.

To make the most of this unique advantage, SMPs must leverage the established trust with their clients to promoting their relevance. Small firms can usually make faster changes in strategic direction to take advantage of new opportunities and significantly benefit from being more agile and adaptable. I see three key



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areas for practice transformation - leveraging technology, talent management and building advisory services.

Leveraging Technology

The 2018 IFAC Global SMP Survey (the Survey), which received over 6,200 responses, found that 38% of respondents view technological developments as a significant challenge. Included in these respondents were over 300 practitioners from India. To remedy this issue, over half of SMPs in India plan to invest over 10% of total revenue in technology throughout 2019, compared to only just over one-quarter globally.

Technological developments significantly impact how SMPs manage their practices as well as how they service their clients. Cloud technology has become a key part of the accounting industry with over a third of practices (both globally and in India) introducing or planning to introduce cloud options to their clients' interface and servicing. With Cloud technology, practitioners are able to serve clients from anywhere (including other countries). There are examples of SMPs providing virtual CFO services to SMEs through the Cloud, avoiding the fixed cost of a permanent finance director.

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IFAC recently updated the Guide to Practice Management for SMPs, which includes a new module on Leveraging Technology. This module covers developing a technology strategy, hardware and software options, technology risks, new and emerging technologies and leveraging technology for practice innovation.

Technology for technology's sake is not going to improve the practice. New technologies need to be part of both change management and larger strategic initiative in client engagement and relationship building. Transformation comes from more than just technology. It involves new business models, strategies, tools and training. It requires strong firm leadership as for example different key performance indicators (KPIs) are required as the business model needs to change.

I've outlined the following five steps to help you embed technology in your practice:

1. Address the long-term business strategy

The first step is to look outwards and not inwards. First, think about what's happening in the world and how it will affect the practice. There's a wide range of environmental issues to consider when positioning your firm for the future, and technology underpins many of these issues. Think about how technology can help you save time, lower costs, attract staff and maintain and add new clients. Second, ensure that your technology plan is aligned with the firm's overall strategic plan e.g. growth targets and service offerings. The firm may seek to harness technology developments in order to improve efficiency, client service or profitability. This could include remote access, document management and scanning, multi-screens or website improvements.

2. Do an environmental scan of the technology you currently have and the technology you want

Once you've determined your strategy, take the time to go to vendor events to educate yourself about the new technologies available and identify which technology is best for your strategy. Issues to consider when choosing a supplier include the quality of its executives; its track record; profitability; investment in research; and development and engagement with its customers. Your technology supplier should be considered a long-term relationship investment.

3. Formulate a realistic implementation plan

Develop a bite-sized plan so you can manage the process while savouring your small successes along the way. It is important to review the training, support options, costs and contract conditions as part of the decision-making process.

4. Identify and support your internal technology champion

Identify and position a passionate team member to take the reins in implementing the new initiative. Empower them to think through the process change and internal training is required. They will need the support and guidance from the firm's leadership to proceed with change.

5. Involve your clients

Clients want to hear about developments that can save time and money. Involving clients in your new technologies and upgrades through video conferences and client portals will build confidence and trust throughout the journey. This approach creates transparency and highlights a long term vision for all involved.

Talent Management

Staff are most valuable asset of any professional services firm. In response to the Survey, the majority of global and Indian SMPs have difficulty attracting next generation talent.

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It is also likely that technology developments will have impact how firms both recruit and retain talent. Practices need to think

about how they re-tool their staff and train the accountants for the future through the development of new competencies for the digital economy.

The Survey found that just over 40% of global SMPs plan to allocate more than 5% of fee revenue over the next 12 months to training. However, this was significantly more in India with nearly 60%. The most popular talent management initiatives introduced or planned for implementation includes flexible working hours or work days, technical training programs and direct incentive and reward programs.

Five initiatives for SMPs to consider:

1. *Provide more opportunities for learning and continuous development.* This includes offering scholarships to cover the cost of education, paid study time, prizes for students who excel in exams, as well as regular training opportunities and empowering experienced staff to train and mentor new employees.
2. *Provide entrepreneurship opportunities to the next generation* so they can make a difference more quickly. Show them that their opinion matters. 'Rising stars' can be offered extra responsibilities, e.g. leading on specific technology projects.
3. *Publicize the firm's investment in staff training and personal development.* This can send a powerful message to the marketplace and garner the interest of young job seekers.
4. *Invest in technology and gadgets* that create an efficient and enjoyable environment for staff to work in. New technology also facilitates a focus on higher value-added activities.
5. *Offer challenging assignments* to new employees – clearly explain that there is a work plan for them when they join so they can see their potential career progression. The next generation is focused on

developing their careers and attaining new capabilities – transparency around career paths is important.

Building Advisory Services

It is well-known that the majority of SMPs' revenue is generated by traditional services including compliance, audit and taxation, but there has been an increase and diversification in the provision of business advisory services, particularly in certain countries around the world.

The Survey found that globally the highest anticipated growth in 2019 was in advisory services with just over half of SMPs predicting moderate or substantial growth. In India it was tax with 65% of SMPs predicting moderate or substantial growth, followed closely by advisory services at 64%.

Both in India and around the world, 86% of practitioners provided some form of advisory/consulting services. The top two services provided were corporate advisory and management accounting. Notable global trends also include involving information technology services (i.e., managing cyber security and IT risk) as well as the provision of business insights from data analytics as a new service offering.

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I believe that technology provides a significant opportunity to provide added-value services to clients. Practitioners can be valued business partners for their expertise and insights from translating data into wisdom. Going forward, the higher value work will be future focused based on analysis, interpretation and insights, compared to lower value historical tasks such as inputting data, verification and conventional reporting. Technology tools provide an opportunity to provide information to clients

in real-time. For instance, visual dashboard reports can be easily and quickly generated to enable a meaningful discussion with clients on a monthly basis with current figures.

I've outlined the following five areas for consideration:

1. *Be more proactive than reactive* and shift from hindsight to foresight. The accountant's role (as adviser, mentor, and coach) is to work as a 'business partner' and trusted business adviser. Understand and listen. The fundamental ingredients to success remain as they have since the accountancy profession began – give the client what they want and need. This new role requires flexibility and an understanding of the context and cultural environment of the client. Practitioners will need to establish even more regular and ongoing communication with their clients and build the relationships.
2. *Niche Market.* The traditional SMP firm model may need to change. Specialisation in a niche market offering could be a way forward. This could be a field where the firm has a high degree of industry and/or technical understanding. It should be large enough to justify the marketing expenditure and, if necessary, obtaining specialist knowledge. Focusing on developing specialisms may also present new client opportunities as other firms may need specialist expertise.

It is clear that new services cannot be provided without sufficient expertise and knowledge. A firm may decide to recruit a new partner who specialises and has strong experience in one particular industry or sector. This new partner can understand client's issues in their specialty area and bring added-value from their exposure to a range of similar businesses over the years. Combining one practice with another, either through a formal merger or informally through a referral

process and 'business partnering', provides an immediately available resource for existing clients and a new revenue stream.

3. *Networks* play an important role in providing and facilitating relevant services to clients. There are benefits of joining networks, associations or alliances such as new clients, broadening the client experience, branding and marketing. There is also significant value in building strong networks with other firms and advisers. SMPs need opportunities to network, share information and ideas with one another.
4. *Branding and communicating* both to existing and new clients the full range of services that can be provided is critical to the success of an SMP. An effective communication tool is the firms' social media presence. This can help promote and disseminate information to clients while attracting millennial talent.
5. *Talent and service focused* - All staff members should be actively encouraged to provide suggestions for potential new service lines, as they are often closest to the clients. Communication training and encouraging a client centric mindset can often help staff to listen and fully understand their client's needs, so the appropriate service. This shift helps staff focus on the practice's value proposition and level of fees charged.



As part of the process to initiate change, SMPs must first evaluate their existing client's profile. For example, are they expanding and need more support? Existing clients can be asked to rate their satisfaction on the firm's past performance. This feedback enables the firm to identify their strengths. Through client profiling and internal insights, a firm might discover services that were delivered for free in the past that may be billable as advisory in the future. The key here is to be confident that these services actually add value to the client.

IFAC's Strategic Plan 2019 – 2020

The IFAC Strategic Plan 2019 - 2020 *Build Trust. Inspire Confidence* includes IFAC's vision for the global accountancy profession as essential to strong, sustainable organizations, financial markets, and economies.

IFAC's purpose is to serve the public interest by enhancing the relevance, reputation, and value of the global accountancy profession. IFAC has three strategic objectives that the work of the SMP Committee contributes to:

- Contributing to and promoting the development, adoption, and implementation of high-quality international standards
- Preparing a future-ready profession
- Speaking out as the voice for the global profession

I strongly believe that this changing environment means that professional accountants must gain additional skills and deepen their knowledge of technological developments. I highly recommend you visit the IFAC Global Knowledge Gateway (www.ifac.org/gateway) to find relevant articles, videos and resources impacting the global profession and register to receive *The Latest*, a bi-weekly newsletter that summarises the content added every two weeks. Welcome to the fast-future. ■