

# Technological Revolution - Implications for Small and Medium Practitioners

*Are we really experiencing a revolution in technology, as the title of the article suggests or are we in the domain of transformation? This really is a moot point for the Small to Medium Practitioner (SMP) swamped by research reports predicting a future world of work in which the very role of accountants is at risk from the evolution in artificial intelligence. There is no doubt that technology is enabling different ways of working in every industry and profession. The availability of data is also both a challenge and an opportunity; a challenge for those who are overwhelmed and an opportunity for those who can access the power of big data and unlock value for their clients. Read on to know more...*



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Any technology transformation is, innately, a human transformation as it impacts the nature of the work itself, the workforce talent required to deliver that work, and the workplace from where the work is delivered.

In the current wave of technological transformation all of the above considerations are relevant for SMPs.

However, I can empathise with SMPs who may feel overwhelmed by the pace of technological transformation and the quotation from Thomas L. Friedman (The World is Flat: A Brief History of the

Twenty First Century), may be appropriate:

*“Today’s workforce needs to approach the workplace much like athletes preparing for the Olympics, with one difference. They have to prepare like someone who is training for the Olympics but doesn’t know which sport they are going to enter.”*

However, not all is doom and gloom and the human capacity to adapt and evolve should never be underestimated.

As an evolving profession, accountancy is responding to business and societal changes as we enter the third decade of the 21<sup>st</sup> century.

The evolution in Small to Medium Practices is not confined to serving the needs and expectations of clients but also relates to how SMPs operate as a business. Globally, in industries of all sizes, there is a race to unlock the value of data, to enable business processes with technology and to create digitally enhanced experiences for customers, clients and employees.

In 2019, the Edinburgh Group launched a global research report entitled “The SMP of the Future in a Changing World.” This research report addresses the challenges and opportunities SMPs face in a changing environment, including artificial intelligence, data analytics, regulation, deregulation, and the changing needs of business.

The research also explores the skills, education and services required to continue to deliver value to small to medium enterprises.

By way of background, the Edinburgh Group is a coalition of 16 international accountancy bodies from across the world representing over 900,000 accountants.

The Institute of Chartered Accountants of India is a founding member of the Edinburgh Group and the research report is available at [www.edinburgh-group.org](http://www.edinburgh-group.org)

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This global research has benefited from almost 2,000 responses from SMPs in 52 countries together with interviews with SMP support staff in many professional bodies. Across the globe SMPs view the emergence of artificial intelligence, data analytics and developments in technology as both a challenge and an opportunity. The findings indicate that SMPs worldwide expect environmental factors to continue to present both challenges and opportunities for their practices in future. However, SMPs have limited access to the resources, networks and expertise required to invest continuously in assessing the consequences of the incessant environmental changes affecting the accountancy profession.

However, there is universal agreement that the successful SMPs of the Future will be empowered by talent and technology and are likely to offer different services than they do today.

### Response Gap

The SMP survey found that a troubling minority of the respondents’ SMPs are not currently addressing the challenges and/or capitalising on the opportunities associated

with environmental change. For example, of the practices facing or expecting to face challenges associated with digital technologies, 26% are not responding to, and have no plan to respond to, these challenges. In addition, 22% of SMPs have not capitalised on, and have no plans to capitalise on, the opportunities associated with digital technologies.

Similarly, of the practices facing or expecting to face challenges associated with regulation or deregulation, 23% are not responding to, and have no plan to respond to, these challenges. Meanwhile, 17% of the SMPs have not capitalised on, and have no plans to capitalise on, the opportunities associated with regulation or deregulation.

SMPs appear too passive in relation to seizing new opportunities: 30% of SMP survey respondents said their practice ‘rarely’ or ‘never’ seeks out new markets and opportunities to launch new services.

From the Edinburgh Group Research, it emerges that over 80% of SMPs in India indicate that digital technologies will have an “extremely high” or “high” impact on their practices within 6 years.

### The Role of the Professional Accountancy Organisation (PAO)

Because of their own limited resources, SMPs expect PAOs to play a proactive role in offering guidance and support in addressing the challenges and opportunities associated with a changing world. For example, SMPs

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look for support in relation to developments in digital technologies and changing regulation. The EG research found that the majority of PAOs since 2013 have developed guidelines and tools to support their SMP membership in addressing challenges and opportunities specific to their jurisdiction, such as tools for integrated reporting or integrated thinking, auditing software tailored for SMPs or tools related to the General Data Protection Regulation (GDPR). Even so, more could be done.

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### Recommendations for PAOs relating to the Technology Challenge for SMPs

The EG report recommends that PAOs should segment their membership in order to better understand the needs of their SMP members. They should also:

- Be proactive in anticipating and understanding evolutions in the

accountancy profession and support SMPs in obtaining and/or developing the skills needed now and in future to meet the ever-changing expectations/needs of their clients;

- Consider supporting SMP innovation in, for example, the services provided by introducing new qualifications and certificates;
- Partner with IT companies to create and expand awareness of new technologies among accountants.

### Recommendations for SMPs relating to the Technology Challenge

SMPs need to take their own steps to help build a successful future. In the context of the technology challenge, the EG research report recommends that they should:

- Be proactive in seeking out new markets for their services and consider growth and diversification of their service offerings;
- Consider inhouse training, hiring of accountancy-qualified and non-accountancy expertise and/or collaborations with other accountancy firms and service providers;
- Use networking to offset their limited internal resources for addressing challenges and opportunities;
- Identify new service offerings (and determine firm structure and hiring decisions) based on a well-informed strategic response to environmental challenges and opportunities associated

with, for example, digital technologies and regulation/deregulation;

- Exceed client expectations and develop a close relationship with clients;
- Be more efficient to reduce costs;
- Promote their advantages better when competing with larger firms for talent (including for the younger generation), for example, by offering a better work-life balance and promoting their entrepreneurial spirit and opportunities for faster promotion and being more involved in the business.

The research outlines a range of strategies that SMPs are currently using or plan to use to respond to digital technology challenges, including:

- Adapt and use cloud options;
- Develop inhouse skills and expertise;
- Hire accountancy qualified staff with additional expertise;
- Recruit non-accountants (e.g. data scientists);
- Use the services of external specialists;

The survey analysis finds, in general, that Indian SMPs surveyed are ahead of their global counterparts in terms of success in addressing the above challenges. However, in the current technology revolution, capability development will require time and investment in order for SMPs to evolve into business advisers operating in the digital world.

Tax digitalisation in many jurisdictions is already driving businesses to change to a digital mindset. Manual data entry will vanish from SMPs and their clients alike and this will free up some of the most valuable commodity – time!

So, what might be different about the SMP of the Future?

### Data Entry is History

Data will flow seamlessly from clients and their bank accounts into the SMP systems. Tax digitalisation in many jurisdictions is already driving businesses to change to a digital mindset. Manual data entry will vanish from SMPs and their clients alike and this will free up some of the most valuable commodity – time!

### Relationships Change to Real-Time

An SMP will have real-time insights into their clients' businesses. This presents an opportunity for SMPs to become real-time trusted advisors within a new constant relationship.

### Technology Prompting Service

Significant changes in a client's financial affairs such as increased debt, strained cash flow etc. can trigger alerts to the SMP who can then intervene and add value in real-time, when it is most needed.

### Increased Value Proposition

By delivering advisory services in real-time, SMPs can enhance and simultaneously monetise their value proposition. A different world of work may, in certain circumstances, actually grow fee income whilst delivering higher value services to clients.

### People and Skills

Digitalisation, and the move to advisory and value-added work, will require SMPs to upskill to become fluent in technology. Skills development and talent acquisition will be paramount in order to augment the power of artificial intelligence and data analytics. As SMPs look to expand their range of service offerings, and many are already doing so in areas such as Fraud and Risk, Forensic Accounting, Cyber Security, Strategic Planning etc., it is important to have the skills and capabilities to deliver such services and to take advantage of automation and augmentation. It is also important to have the right

SMPs will need to demonstrate the value of empathy, creativity, ethics, values, scepticism, intuition, imagination, curiosity and flexibility. All of the aforementioned skills are fundamental to an advisory role where the human brain is augmented by artificial intelligence.

mix of capabilities. Anecdotally, some SMPs report that millennials are quickest to exploit the power of artificial intelligence but more experienced qualified staff are required for the analysis.

As the work in an SMP changes, so too must the workforce and only 23% of Indian SMPs responding to the Edinburgh Group Research have reported themselves as very successful in developing inhouse skills and expertise in digital technologies.

SMPs will also have to consider the workplace of the future as the acquisition of new skills may require flexibility about when and where that work is completed. Physical proximity to staff may not be as important and SMPs need to reimagine where the work can be completed. This reimagination may open a new talent pool whose primary needs are flexibility and stimulating work.

SMPs should also consider collaboration as a route to productivity, sharing costs and increasing efficiency.

### What will be Valuable?

SMPs can take some comfort from the fact that not everything can be digitised, and certain human skills will increase in value as a consequence. SMPs will need to demonstrate the value of empathy, creativity, ethics, values, scepticism, intuition, imagination, curiosity and flexibility. All of the aforementioned skills are fundamental to an advisory

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role where the human brain is augmented by artificial intelligence. CPA Ireland, by way of example, has developed a new post qualification Diploma in Leadership which will allow SMP participants discover their 'signature strengths' and develop those strengths into an effective leadership style. SMPs will build on their communication skills and broaden their thought-action repertoire to grow their capacity to inspire and positively motivate others. SMPs should consider carefully how to develop the so called "soft skills" as part of skills development.

## Outlook for SMPs of the Future?

The outlook for SMPs who evolve, upskill and adapt is largely positive. However, to be successful SMPs will need to embrace change and, in particular, become fluent in technology.

Already, information technology providers are producing artificial intelligence solutions tailored for SMPs. The Institute of Chartered Accountants of India (ICAI), through its membership of

the Edinburgh Group and of its own initiative, has already interacted with such providers.

In addition, massive open online courses (MOOC) are providing a myriad of specialist education programmes, free of charge, taught by top instructors from world class universities.

Digital skills training in the following topics are available either free of charge or at very competitive rates from sources such as Coursera, EdX, Udemy and Microsoft:

- Machine Learning
- SEO/SEM Marketing
- Data Visualisation
- Network/Information Security
- Blockchain
- Artificial Intelligence
- Data Analytics

Many PAOs have already started to deliver Continuing Professional Development (CPD) in the domain of digital skills and, by way of example, CPA Ireland has launched a new post qualification Diploma in Data Analytics which provides a high-level understanding of the main concepts associated with data analytics and how decision makers use analytics to formulate and support them in solving business problems and communicating that analysis to a management team. SMPs are committing to this type of CPD in order that they can unlock the power of data and add value to their clients.

Talent will be crucial in the changing world of work and SMPs will either have to train up existing staff or source external skills to develop the capabilities to deliver services to clients.

Competition for clients will be keen as larger firms can utilise economies of scale and automation services cost effective services to SMEs. So, now, more than ever, SMPs need to remain close to their clients.

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Developments in technology will empower SMPs to offer more services, support, advice and value to their clients. Whether it is a revolution or a transformation, the next decade will bring unprecedented change. A better future exists for SMPs who upskill, adapt and evolve and, most importantly, exploit the human advantage whilst exploiting the benefits of technology.

A closing quotation from the Edinburgh Group research, in relation to challenges facing SMPs, is apt:

*"The best firms will meet these challenges head on and with clarity – and thrive. Those that ignore these issues may fail to reach their potential." ■*