

**PRACTICE TRANSFORMATION
ACTION PLAN**



**A ROADMAP TO
THE FUTURE**

International
Federation
of Accountants

IFAC, with its member organizations, serves the public interest by enhancing the relevance, reputation, and value of the global accountancy profession. IFAC's three strategic objectives are:

Contributing to and promoting the development, adoption, and implementation of high-quality international standards;

Preparing a future-ready profession; and

Speaking out as the voice for the global profession.

The 'Practice Transformation Action Plan - A Roadmap to the Future' was prepared by IFAC with support and insights from its **Small and Medium Practices Committee**.

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WELCOME TO THE FAST-FUTURE

“We will not recognize the accountancy profession in the next 10 years. Actually, the fact of the matter is that it will probably be in the next 5 years”

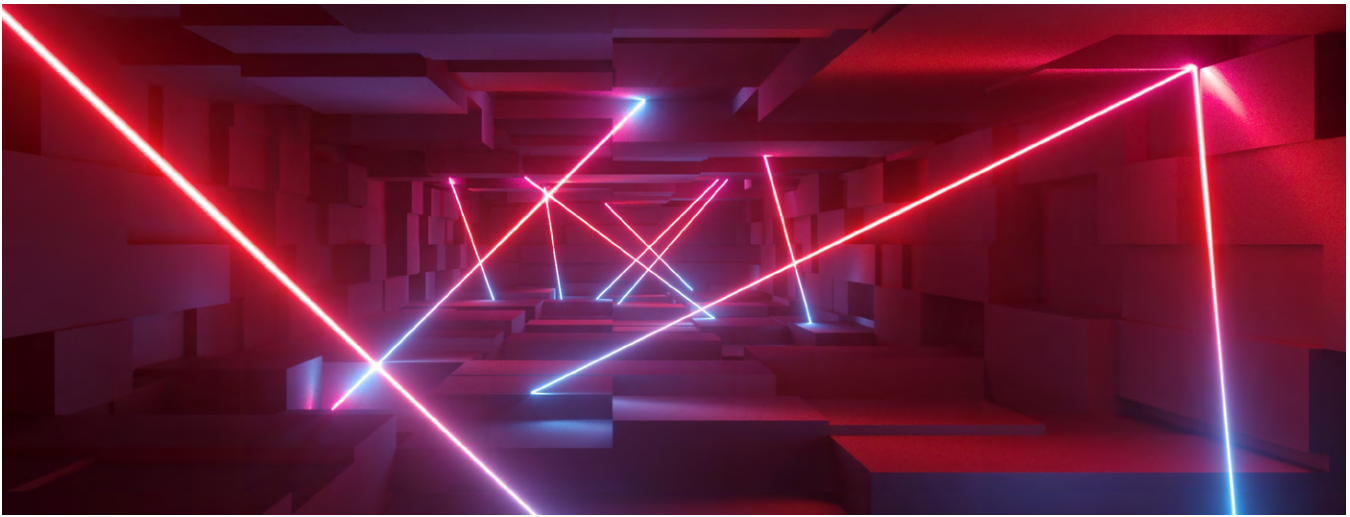
– Barry Melancon, President & CEO, American Institute of CPAs and CEO, Association of International Certified Professional Accountants

Time is compressed in today's fast paced, complex and changing global world. One study, by Accenture, **predicted** that advances in robotics would automate or eliminate 40% of basic accounting roles by 2020. It is quite possible that within 10 years bots will have a deep enough knowledge of accounting and auditing standards to be able to answer all technical questions about them. Is the accountancy profession ready for such a change at such a pace?

The **IFAC SMP Committee** (SMPC) believes that there is strong need to raise awareness of what the future may hold, so practitioners can make informed decisions about their strategic plans. Firms often prioritize serving clients at the expense of planning for rapid changes impacting the profession.

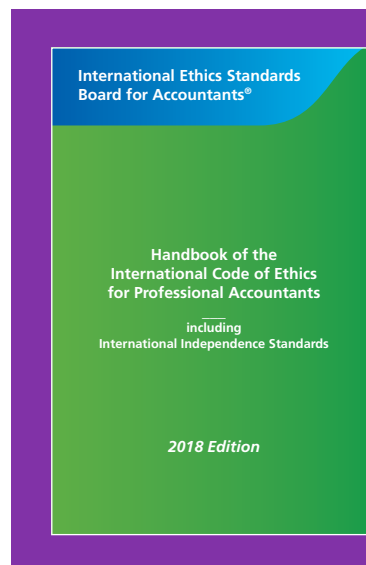
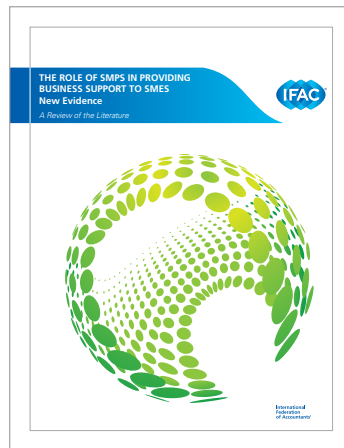
What has driven a firm's past success will not be what drives future success. It is critical that leaders dedicate time now to consider their firm's future and embrace new opportunities.





Small- and medium-sized practices (SMPs) are well-positioned to support their clients as they navigate this unprecedented environment. Irrespective of jurisdiction, accountants, and especially SMPs, continue to be 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.

To make the most of this unique advantage, SMPs must leverage established trust with their clients to promote their relevance and continue to provide clients with the services they require, while upholding international ethical standards.



Professional accountants in public practice are required to adhere to the highest ethical standards. IFAC member organizations are required to adopt and implement ethical standards no less stringent than those stated in the “International Code of Ethics for Professional Accountants (including International Independence Standards)” issued by the International Ethics Standards Board for Accountants (IESBA).

WHAT IS THE ROADMAP TO THE FUTURE?

Small firms can be relatively quick to take advantage of new opportunities. The primary challenge is to see these new opportunities and be willing to adapt. Transformation involves strong leadership, embracing technology, recruiting and retaining the next generation of accountants, approaching training and continued learning and development in new ways and identifying and meeting the needs of an evolving marketplace.

There is no single template for what successful small practices will look like in the future, but four key areas for practice transformation are:



- 1 Embrace Change**
- 2 Leverage Technology**
- 3 Focus on Talent Management**
- 4 Evolve the Firm Operating Model and Build Advisory Services**

1

EMBRACE
CHANGE

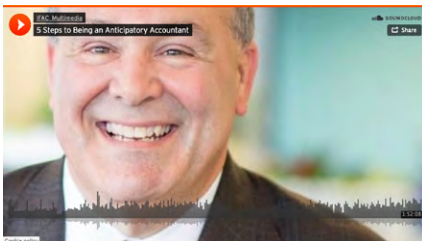
“Change almost never fails because it is too early. It almost always fails because it is too late”

– Seth Godin, Author and Entrepreneur

It is difficult to escape stories about the threat of disruption and the impact of technologies such as artificial intelligence (AI), big data, blockchain etc. Change is the new constant. While uncertainty will always be with us, the future requires an open and agile mindset, a new and increased emphasis on continuous improvement and a mindset of embracing rapid change.

Clients expectations, demands and needs are changing. A key competency in the future will be the ability to see and **anticipate trends** on the horizon and advise clients on the implications of those trends. The advantage of small practices is close client relationships; they are well-positioned to identify needs and customize services to meet demands and circumstances.

Every organization must transform—no matter its size. Failure to transform will result in a loss of the profession’s relevance. To be “future-ready”, practitioners need to adapt to this new environment and evolve by gaining additional skills and deepening their knowledge of technological developments. All firms will need to adjust to stay ahead of the curve. To succeed, they must do this intentionally—by design—in an agreed-upon direction. Risks and challenges might arise in that process, but inaction will have worse long-term consequences than taking even small steps forward.



2

LEVERAGE TECHNOLOGY



Fundamental to all future successful firms will be embracing technology developments to improve practice efficiencies, enhance how clients are serviced, and expand the range of services provided. Practitioners should look at the rise of AI, for example, not in terms of potential job loss, but the elimination or evolution of tasks; this approach will lead them to focus on the opportunities new technologies bring. Professional judgment will remain essential to advising clients and adding value.



FIVE KEY INITIATIVES TO SUCCESSFULLY ADOPT AND EMBED TECHNOLOGY INCLUDE:

A. Conduct an Environmental Scan

The first step is to look outwards—not inwards. Consider what is happening in the world and how it will affect the practice. There's a wide range of issues to consider when positioning the firm for the future, and technology underpins many of these. Think about how technology can help improve efficiencies, productivity and quality, lower costs, attract staff and maintain and add new clients - what can be automated?

Firms should take the time to conduct an environmental scan of the technology they have and the technology they want, including engaging with clients to understand

how the firm's processes can be more efficient. It may involve attending vendor events to learn about what new technology is available and considering how the firm can collaborate with external IT specialists.



B. Align with the Long-Term Strategy & Formulate a Realistic Implementation Plan

Firms should identify which technology is best aligned with their strategy (e.g., growth targets and service offerings) and consider the relevant business need, available budget and marketplace opportunities. The firm may seek to harness technology developments to improve efficiency, client service or profitability. This could include remote access, document management and scanning, using multi-screens, website improvements and using software packages for timesheets, billing and monitoring recovery rates.

It is important there is a strong business case for adopting any new technology. The return on investment (ROI) should be calculated, but the risk of not investing in new technology (RONI) should also be considered. Given the multitude of products it can be difficult

to determine which one is best and will be a long-term solution. Sharing experiences with other similar firms can be mutually beneficial.

Issues to consider when choosing a supplier include the quality of its executives, its track record, profitability, its investment in research and development, and its engagement with its customers. A practice's technology supplier should be considered a long-term relationship investment. A bite-sized plan should be developed so the firm can effectively manage the process. There are **various options** to manage the investment, including exploring a subscription based or monthly-renewal model to manage the costs and considering passing the cost on to clients.

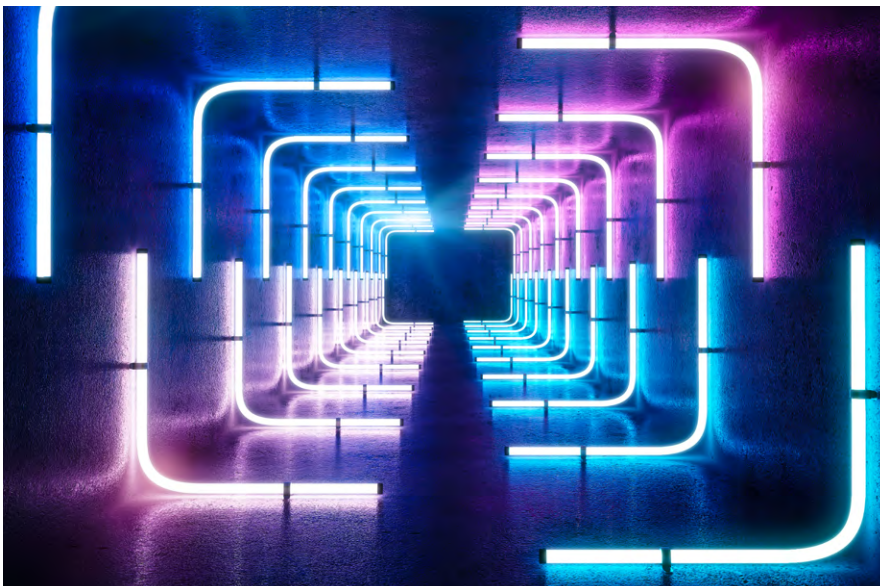


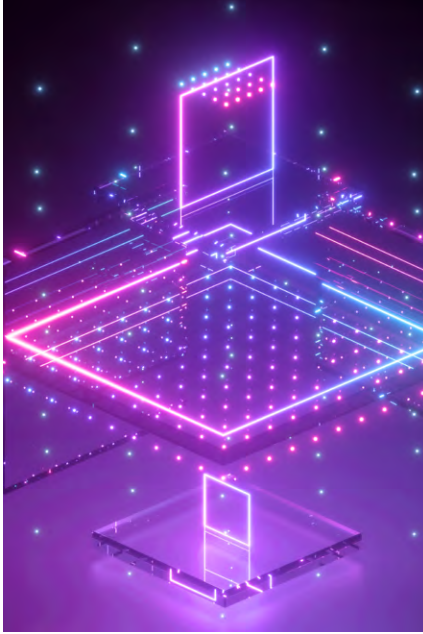
C. Adopt the Cloud

Cloud technology has become a key part of the accounting industry. Practitioners can now serve clients from anywhere (including other countries).

Firms with multiple offices can use the cloud to provide staff an easy way to work virtually on the same client simultaneously in different offices. It also allows clients to see their financials in “real-time”, and the practitioner can use it to engage and offer services (such as a virtual CFO) cost effectively.

The cloud eliminates some extra costs: for example, the cost of an IT contractor coming in a couple of times a month to do updates and back-ups will be unnecessary if online services are updated and backed-up automatically. It is also more secure than in-house servers—but data management is key. The firm needs to know the providers and where they are storing the data to track how it is being secured. There is also a need to be aware of any relevant laws and regulations, such as data protection legislation.





D. Identify and Support an Internal Technology Champion

Staff should be empowered to follow technology trends and inform the firm about possible future opportunities and challenges. The firm should identify and position a passionate team member to take the lead in implementing a new technology initiative. This ‘technology champion’ may be a ‘rising star’ who can be offered extra responsibilities.

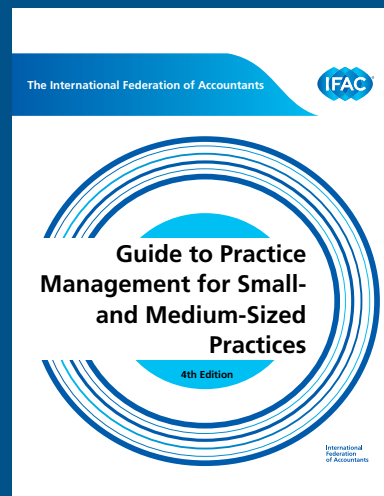
Firms need to emphasize investment in technology solutions that create an efficient and enjoyable environment for staff to work in. Staff should be empowered to think through different technology options and the processes and internal training that will be required. The technology champion will need support and guidance from the firm’s leadership to proceed with change because there may be challenges with implementation. It can take time and effort, so patience and perseverance are prerequisites, but the benefits will far outweigh the costs.

E. Involve Clients in Technology Decisions

Clients want to hear about developments that can save time and money. Involving clients in new technologies and upgrades through virtual meetings and client portals will build confidence and trust throughout the journey without travel or additional time cost. This approach creates transparency and highlights a long-term vision for all involved.

One of the advantages of small firms is their relatively close and long-lasting relationships with clients and being able to discuss and debate options (e.g. “what if I took this course of action...”), so that they are kept informed and understand how the technology can directly benefit them. Firms need to encourage them to embrace change. Technology is an accelerator, but using it effectively requires a clear strategic plan and the right people and clients.

The IFAC *Guide to Practice Management for SMPs* includes a module on technology covering developing a technology strategy, hardware and software options, technology risks, new and emerging technologies and leveraging technology for practice innovation.



3

TALENT
MANAGEMENT

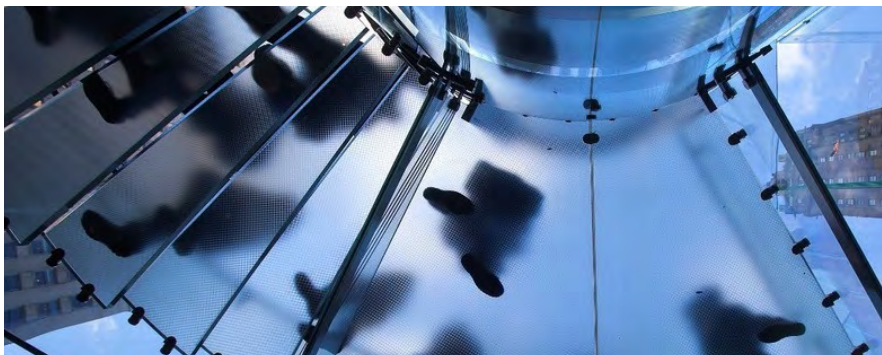
Staff are the most valuable asset of any firm. Investment in talent management should be a top priority.

Technology developments are having an impact on how firms both recruit and retain talent. There is a new diversity in who firms hire: for example, some are now recruiting data scientists and broadening their reach beyond traditional academic subjects. Practices need to think about how they re-tool their staff and train accountants for the future through the development of new skills and competencies for the digital

economy. In the period up to 2022, the World Economic Forum predicts that employees will need **101 days of retraining and upskilling**.

While technical competence remains critical, other skills, such as empathy and the ability to communicate effectively and collaborate both with colleagues and clients are becoming increasingly important to future performance. Staff interaction with clients, including face-to-face meetings, are critical to success. There are now four generations working in

firms—each with different skills and personalities. Successful firms will recognize the demographic trends in the work force, including ageing leadership and the rise of millennials and Gen Z, and take advantage of the differences between generations.





The World Economic Forum outlined the **10 skills needed to thrive in 2020**: Complex problem solving, critical thinking, creativity, people management, coordinating with others, emotional intelligence, judgement and decision making, service orientation, negotiation and cognitive flexibility.

FIVE TALENT MANAGEMENT INITIATIVES INCLUDE:

A. Offer On-going Learning and Continuous Development (Lifelong Learning)

All staff need to feel comfortable investing time every week to remain current, in particular with digital skills: for example, leveraging technology to complete certain tasks and understanding how digital technologies are disrupting business models—and not just focusing on building technical knowledge. Ongoing training and personal development programs should be available for all staff at all levels, with experienced staff empowered to train and mentor new employees.



Employees require personalized development, coaching and other learning opportunities. Firms need to consider training methods aside from traditional classroom or online settings. These can include study groups, case studies, use of simulators and gamification and nano (10 minute) learning.

Firms should publicize initiatives and investments they are making in

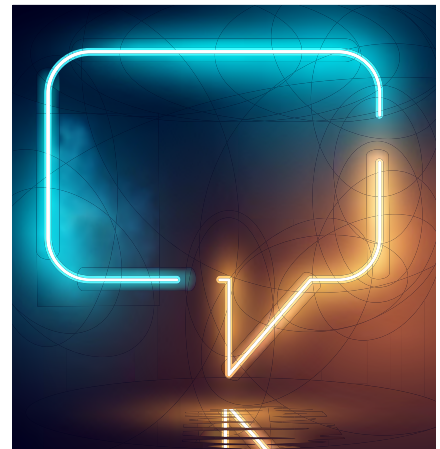
training and personal development. This can send a powerful message to the marketplace and attract the next-generation of job seekers.

B. Empower Staff to Innovate

Next-generation staff need to believe they can make a difference quickly and be empowered. New junior staff should immediately have an opportunity for face-to-face client interaction and be involved in challenging assignments.

Firm leaders need to demonstrate to staff that their opinion matters. All employees should be able to make suggestions. A speak-up policy helps create a culture of inclusivity across the firm and shows the firm's leadership is willing to listen, challenge norms, be open to change and take appropriate action.

All staff members should be encouraged to provide suggestions for potential new service lines or other ideas—including less senior staff, who are often closest to the clients. Innovation is critical to a firm's agility and its ability to diversify services. Communication training and encouraging a client-centric mindset can often help staff to listen and fully understand the client's needs, so the appropriate service can be provided. This shift can help staff focus on the practice's value proposition and the level of fees charged, and it can build creativity and connection with clients.



C. Engage in Transparent Career Progression Conversations

The next generation of accountancy professionals is focused on developing their careers and attaining new capabilities. Small firms can provide a more rapid, less competitive career progression. Staff need to believe there is a plan for them when they join, so that they can see their future. Transparency around career paths is critical.

Next-generation staff recognize the importance of on-going feedback instead of more formal annual reviews. Firm leadership needs to act on this with an inviting tone at the top and openness to feedback. This will be especially important in the future, flatter firm environment. Leaders need to embrace flexibility by, for example, undertaking pilot programs and being prepared to admit failure if they do not work out.

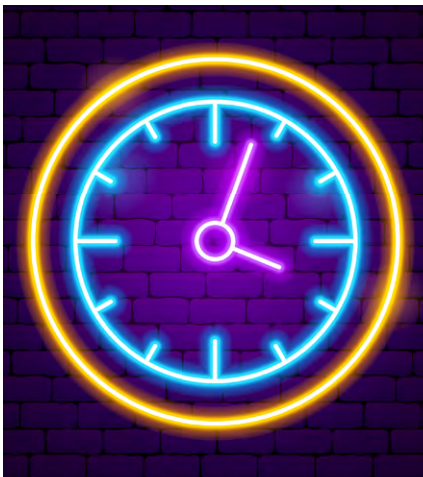


from senior staff, as well as greater possibilities for promotion.

Today all firms are expected to be active on social media. Not having a presence is a significant missed opportunity. Small practices should choose the most appropriate channel (e.g., LinkedIn, Facebook and Twitter) and promote their talent management initiatives. A clear overall social media strategy is important. The content needs to be current and accurate. Social media presents a risk for firm's reputation, which needs to be managed: the firm must decide what type of content is appropriate and develop clear guidelines for how to handle comments.

D. Introduce Flex-Time

Nearly half of respondents to the **IFAC 2018 Global SMP Survey** (the Survey) have introduced or plan to introduce flexible working days or hours. The way a firm approaches work-life balance and its focus on staff welfare is vital to a new model of talent management that is flexible and varied. The keys are trust and managing expectations and deliverables. Flex time and the opportunity to work remotely is not less work; it is win-win-win for staff, the firm and the client.



E. Use a Variety of Recruitment Techniques

Transformation involves changing recruitment approaches and highlighting that joining the accountancy profession is an attractive career option. Firms should establish and build relationships with local schools and higher learning institutions. This can involve organizing presentations by former students at career fairs and offering internships to students upon graduation from college or university. Initiatives can include scholarships to cover the cost of education, paid study time and prizes for students who excel in exams.

The advantages for young individuals joining smaller practices should be highlighted and promoted. These advantages include a better work-life balance, job variety and a higher correlation between work effort and earnings. At an early stage of their career, staff have more opportunities to work closely with clients, to undertake a range of services and to learn

The **IFAC Guide to Practice Management for SMPs** includes a module on 'People Power: Developing a People Strategy' which includes people management strategy, leading teams, managing and retaining employees, training and development, rewards and recognition. It has a leadership checklist and template job descriptions, personal development plans and performance agreements.



4

EVOLVE THE FIRM OPERATING MODEL AND BUILD ADVISORY SERVICES



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—in some jurisdictions more than others. SMPs have in-depth knowledge and understanding of their SME clients and are therefore well-positioned to provide a range of services.

The traditional firm pyramid model is likely to change as outsourcing and automation create efficiencies. This may result in a firm hiring and retaining fewer junior staff, but also a rise in digitally-proficient mid-level staff. The result would be a flatter, more project-based structure. The physical location of firms may also change as a rise in remote/virtual working results in less need for physical office space.

Small practices (e.g. sole practitioners) may not know the answer to every question or issue, but as trusted

advisers they are still able to listen and identify client needs and, if necessary, facilitate access to other professionals to find solutions.

FIVE INITIATIVES TO ADAPT THE FIRM MODEL AND BUILD ADVISORY SERVICES ARE:

A. Move from Transactional to Strategic Services

Firms need to be more proactive than reactive and shift from hindsight to foresight using data-driven insights. Higher value work will be future-focused based on analysis and interpretation, not lower-value tasks, such as inputting data, verification and conventional reporting. As more repetitive tasks are automated (e.g., tax returns are electronic in some countries and software can now automatically code invoices and receipts), opportunities will open for the firm to analyze data to offer strategic value-added advice to clients.

“Practitioners can be valued business partners for their expertise and insights from translating data into valuable information to support their clients decision-making.”

– Monica Foerster, IFAC SMP Committee Chair

Technology tools enable an opportunity to provide information to clients in real-time. For instance, visual dashboard reports can be easily and quickly generated for monthly discussions with clients on current figures. These discussions can help clients anticipate financial difficulties and understand how to take appropriate actions and decisions. Firms need to do more with data to remain relevant.

B. Re-Evaluate the Services Provided & Marketing Strategies

In the Survey, 86% of practitioners provided some form of advisory/ consulting services and this is the service line with the highest anticipated future growth. Firms need to see opportunities and react. For example, spending on IT security is expected to grow from \$101 billion in 2018 to **\$170 billion by 2020**. Notable global trends include information technology services, human resource policies and procedures (e.g., employment regulations) and enhanced corporate reporting (e.g., integrated reporting and corporate social responsibility reporting). This diversification and expansion of the service offering is critical to “future-ready” SMPs and is a key tactic to being competitive.

As part of the process to initiate change, SMPs must first evaluate their existing client’s profile. The accountant’s role (as adviser, mentor and coach) is to work as a ‘business partner’ and trusted business adviser. Practitioners need to establish more regular and ongoing communication with clients, build those

relationships and clearly communicate and promote the range of services that can be provided. Knowing the client means understanding their business affairs and what motivates them, and listening to their pain points, vision and long-term plans for the business and its needs. For example, are they expanding, and do they need more support?

Existing clients can be asked to rate their satisfaction with the firm’s past performance. This feedback enables the firm to identify its strengths and weaknesses. 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 disrupters impacting the profession, including technology and the commodification of core services will drive discussions about shifting the existing client/ firm paradigm towards valuing the contribution of the service, not merely the time spent.



C. Move into a Niche Market

The traditional SMP firm model may need to change. Some firms have determined that it is no longer possible “to be all things to all clients”. Specialization 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 specialist technical understanding and knowledge.

A firm may decide to recruit a new partner who specializes and has strong experience in one industry sector. This new partner can understand clients’ issues in their specialty area and bring added-value from their exposure to a range of similar businesses over the years. It is becoming more common in certain jurisdictions for partners to surround themselves with experts (either internally or externally through relationships) to provide clients with more holistic advisory services.

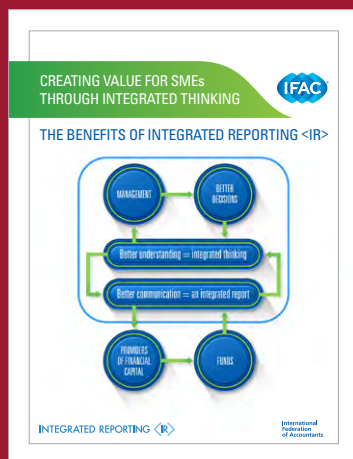
Focusing on specialization may also draw new clients, as other firms may need specific specialist expertise.

IFAC’s **Good Practice Checklist for Small Business** can be used to help determine what type of assistance a client may need and covers financial tasks, strategic and environmental management and regulatory requirements.



SMPs are specializing in providing integrated thinking and reporting advice to enhance the way organizations think, plan and report their business' story. It can help businesses think holistically about their strategy and plans, make informed decisions and manage the organization's performance.

The IFAC and the International Integrated Reporting Council publication 'Creating Value for SMEs through Integrated Thinking' helps organizations adopt integrated reporting and realize its benefits.



D. Use Networks, Associations and Alliances to Add Value

Networks, associations and alliances play an important role in providing and facilitating relevant services to clients. There are **benefits** of joining networks, associations or alliances such as access to new clients, a broader client experience, international collaboration opportunities, training and development, tools and resources as well as branding and marketing.

There is significant value in building strong referral networks with other firms and advisers (e.g., lawyers, consultants and IT firms). Because of the level of trust between professional accountants and their clients, accountants are in an ideal position to direct businesses to other reliable sources of advice. It is important to have a set of criteria and procedures when subcontracting work to other providers to ensure that this work results in high-quality service. It should be included as part of the firm's risk management strategies.

Forming a knowledge network enables staff at all levels to use peers to help solve challenges and gain access to expert advice. With virtual networks there is potential to network with anyone at any time, without geographical limitations.

E. Conduct a Regular Strategic Review

It is important for leaders in the firm to schedule time to periodically review the firm's strategy, structure, services, culture and operating model. Setting aside time regularly to dedicate to thinking about the future should be a priority. Only a realistic review of the firm as it is today will enable leaders



to head in the right strategic direction. Given the current pace of change, it is important for firms that want to evolve to undertake this review today.

The review can cover all areas of the firm. Consideration can be given to whether the firm needs to reorganize personnel and adapt the organization structure to deliver services. For example, combining the practice with another, either through a formal merger or informally through a referral process and 'business partnering' can provide an immediately available resource for existing clients and a new revenue stream.

The review might explore new approaches to pricing: for example, instead of billing an hourly rate, the firm could set prices for business advisory services on perceived or estimated value to the client. It may also include an enhanced focus on promoting the practice to existing and new clients. The SMP of the future will have a strong brand and its clients will be fully aware of the range of services it can provide with clear communication through its website, quarterly newsletters, social media and presence at events.

WELCOME TO THE FAST-FUTURE

The future offers the accountancy profession and SMPs significant opportunities to grow and adapt to serve a rapidly changing world. Practice transformation will succeed with a focus on embracing change, leveraging technology, new approaches to developing and training people and a renewed emphasis on providing relevant and value-added services to the marketplace.

OTHER RESOURCES

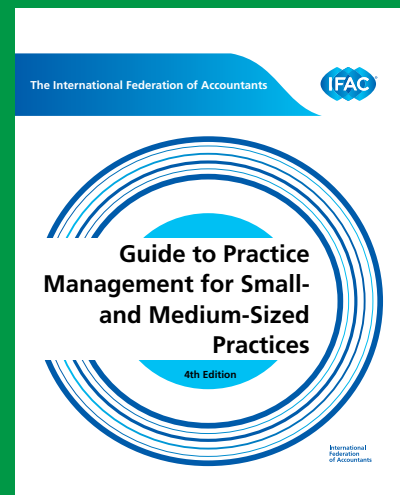
Visit the **IFAC Global Knowledge Gateway** to find relevant articles, videos and resources impacting the global profession and register to receive *The Latest*, a bi-weekly newsletter that summarizes the content added every two weeks.

RECOGNIZING FIRM DIVERSITY

It is recognized that every firm will be different, and the level of action to “transform” will depend on a range of factors, including the lifecycle of the practice, partners’ motivation, the size and services provided, the firm’s location and the type and number of clients served. The actions taken by each firm will need to be tailored to its individual circumstances and objectives.

PRACTICE MANAGEMENT RESOURCES

The **IFAC Guide to Practice Management for Small- and Medium-Sized Practices** is a comprehensive guide to help SMPs operate more efficiently in the increasingly complex and competitive global marketplace for professional services. It covers a range of topics, including strategic planning, managing staff, leveraging technology, client relationship management, risk management and succession planning.



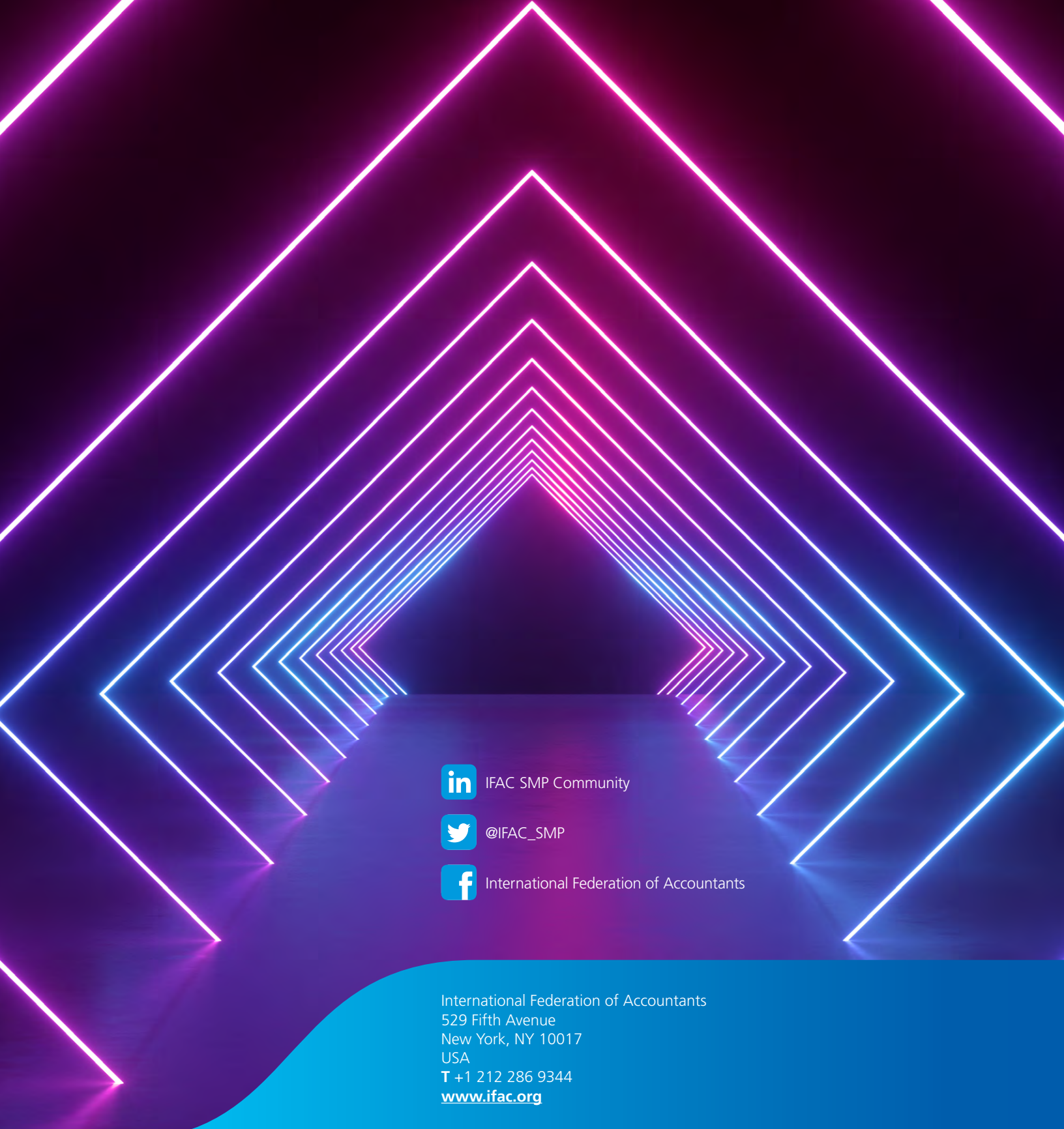
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