



THE AUTOMATION MYTH:  
**WHY THE ACCOUNTANT  
IS HERE TO STAY**

## The Myth of Automation: Why the Accountant will Never Be Replaced

Automation is disrupting industries all over the world, and has been for some time. Indeed, many examples have become so commonplace we barely notice them any more. Think of the once commonplace career of “teller” at bank, now resigned to the middle initial in ATM, its robotic replacement.

The accountancy industry will be no exception to the march of technology. PwC reckons there's a 97.5% chance of basic accounting being replaced by automation in the next 20 years. But it's not a death knell. It's an opportunity.

If used correctly new technologies, from cloud computing to data analytics, will help bookkeepers increase efficiency, streamline processes, reduce errors, and find new revenue streams.

As with all industry developments, there will be some that cope with the change better than others. Alex Dontoh, deputy chair of the accounting department at NYU's Stern School of Business, says there's a need for accountants to develop technical skills in data analytics and IT, “in order to stay relevant”.

What is inevitable however is that automation will reshape the role of the accountant. As Faye Chua, head of future research at the Association of Chartered Certified Accountants, says: “Social media, mobile, and cloud technologies will change the way that finance professionals and accountants work.”

And current evidence suggest that for forward-thinking firms, this change will be for the better.

## The end of blue sky thinking

The key development that cannot be separated from automation is the advance of the cloud, which is shaking up the world of accountancy firms and their clients alike.

The chief culprits for early automation, as in every industry, are the simple, manual process. For accountancy, this means data entry and other low-level admin processes — which can make up the bulk of audit and compliance work.

One, perhaps unexpected, consequence of this is that small business accounting has now become profitable for firms that once only dealt with FTSE 100 clients.

Deloitte, for instance, launched a new cloud-based service called Propel, which typically costs between £350 and £1,500 per month. Their goal, in the words of Katie Houldsworth, Deloitte's innovation partner for audit, is “To help start-ups and SMEs grow.”

## Go with the cash-flow

The entry of the big name firms into the SME game also reflects the developing needs of the SME market. New start-ups and other fast growing firms need to have oversight over their finances. Entrepreneurs need to keep on top of finances to grow safely, but working on growth leaves little time to do the books.

Nimesh Thakrar, co-founder of Banneya London, a 3D printing start-up, which uses Deloitte's automated accounting service, says:

"Like any busy entrepreneur, I used to spend a lot of my spare time desperately trying to keep on top of the company's finances. I needed a robust and real-time accountancy service so I know exactly how much I can re-invest."

## Tools of the trade

This doesn't mean, however, that small firms no longer have a place. In fact, the cloud has proven itself a leveller in many ways. Cloud add-on services, offer customisable options to meet the needs of modern businesses, including luxuries that used to take whole departments.

Take an app such as TSheets. It allows clients, to track their workers' hours, invoice, and email for payment, all via a phone. Or a solution like CrunchBoards, which helps clients analyze their data to find issues and opportunities – a task which once required a team of analysts.

With the right add-ons, every accounting practice can now offer bespoke, nuanced services, no matter their size. And it's just in time.

The smartphone's role in business is now connector, communicator, enabler and innovator. In accountancy, it's no different, according to Chua at the ACCA.

Smartphones will provide clients with round-the-clock access to key documents like tax returns and financial statements cutting down time spent on office appointments and phone calls. This leaves more time for adding real value.

## The cloud has a silver lining

The cloud is also an incredible opportunity for growth. By moving into the cloud, accountants are also carving out new revenue streams. This ranges from using technology to offer wider range of premium services, such as forecasting and real-time updates, to redefining the limits of a client base.

Automation is part of a globalized business landscape, where “multinational businesses are continuously breaking free from physical geographies,” says Amber Wigmore Álvarez, an executive director at IE Business School. With technology, accountants can expand their reach to other cities and even countries.

But data is not everything. If it were, then the whole profession would soon be in the hands of robots. The real skill is marrying information and expertise.

Nick Frost, partner at KPMG UK, says technology groups like Google and Amazon are the best at harnessing data, but not accounting: “We need to enable each other, as opposed to cannibalizing each other. The key will be to harmonize the two.”

How accountants embrace automation will determine whether they stay in business or become obsolete. The more automation tools and skill-sets they add to their firms, the easier it'll be for them to hang on to tech-savvy clients — and attract new ones.

## Regulations and Revelations

When Nick Frost first started auditing two decades ago, digital had yet to permeate the profession. Flash-forward to 2016, however, and he's heading audit technology for KPMG UK. “Technology and data are reshaping everything,” he says.

Frost has had to master high-tech tools such as data analytics, and wrap his head around cloud computing. The shift has been accelerated by regulation, and disruption from tech companies. This year, 5 million small businesses will have access to a digital tax account, according to HMRC

A whopping 95% of accountants expect a workload surge as a result of the Making Tax Digital Reforms, according to the Bankstream Accountants Confidence Index.

However, whether the change will be working more or just working differently is largely in the hands of the professional themselves. Where once work was measured in hours, the new metric is value.

The use of value-pricing has begun to edge its way into the psyche of time-sheet backers, according to Ron Baker, the figurehead of the value pricing movement and founder of the VeraSage Institute.

Value pricing, where fixed costs are based on the value added for the client can actually enhance client loyalty and allow firms to charge more for their services. But it's also a difficult model to get to grips with. It requires client knowledge and lengthens the client on-boarding process.

Yet with automation, the case for value pricing gets stronger. As technology makes accountants more efficient, they will be able to complete tasks more quickly. Working smarter, not harder will be the future.

## An accounting revolution

Accounting is braced for the "Fourth Industrial Revolution" and the robots are clearly coming. It is up to accountants to decide their place in this new system and whether it will be a blessing or a curse.

Look at other professions, such as professors and online education; hoteliers and Airbnb; taxi drivers and Uber. In each instance, technology has helped the forward thinking professionals become better at their jobs — and helped the companies become more efficient and profitable.

In an age of digital disruption, it could be easy to instil fear in even the most experienced accountant. But software is empowering them to reach new markets and to better serve their clients.

Dr Edgar Loew, professor of management practice in accounting at the Frankfurt School of Finance & Management, believes tech is a tool for accountants, not a redundancy notice: "It should be an instrument they can use to be quicker and more precise," he says. As with all tools, those who learn to use it properly will find new opportunities. Those who embrace that speed and precision for their clients are here to stay.



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TO FIND OUT HOW YOU CAN  
GARUANTEE YOUR FIRM'S FUTURE.**

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