

Intuit 2020 Report

FUTURE OF THE ACCOUNTING PROFESSION

A New Mindset and Model for Thriving in a Connected World

2020 Forecast for the Accounting Profession

ABOUT THE REPORT

This report provides a view of the significant demographic, economic, social and technology trends and forces that will affect the accounting and tax profession over the next decade.

The starting point for this forecast is the Intuit 2020 Report, released in October 2010, which identified 20 emerging trends and shifts that will shape business and society over the next decade.

To prepare this follow-up report, the Intuit Accounting Professional Division and Emergent Research conducted a series of forecast workshops, exercises, and interviews with accounting professionals, academics, industry analysts and the media. These sessions identified the important trends and implications that will affect the accounting industry.

Intuit 2020 reports and related materials are available at www.intuit.com/2020.

IMAGINE A WORLD WHERE...

Accounting firms are not spending their time on gathering and entering client data.

Accounting professionals no longer focus on preparing financial reports and tax returns, but ensure that automatically downloaded data complies with regulatory and tax law requirements – and serve as advisory and planning consultants to their clients.

The Future – February 2020: Accounting and tax professional Oliver gears up for crunch time, the annual onslaught of work as he readies himself to review a seemingly endless stream of clients' tax returns, with data downloaded from financial institutions and employers. But as challenging as the work may be, it's far more efficient and specialized than it was just 10 years ago when he and two partners started their business.

Ten years ago, he'd work 18-20 hours a day, seven days a week, through tax season. There was paper, piles of it, with information to be entered into his computer, then checking and rechecking to make sure everything was correct.

Outside of tax season, getting data from his clients, doing write-up work, and staying abreast of regulations and compliance issues left little time to help his clients with important, and more interesting, tax planning and strategy issues.

Tax season took a toll on his personal life as well. Family events, exercise and social activities took a back seat to spending most of his waking hours at the office.

"It's not that I work fewer hours in a year anymore," he thought. "But I have so much more flexibility around where, when and how I do my work."

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Gradually, the industry and his life changed. Automation replaced manual data collection and input. Most routine and lower-valued accounting and tax tasks became outsourced to overseas firms. At times over the past decade, Oliver and his partners feared their business may not survive the advances in technology and competition.

As the environment evolved, they did too, shifting their business model to providing advisory services. They not only survived, they thrived.

Oliver transformed himself from a tax generalist to an international tax planning strategy specialist for small businesses. The demand from the growing number of small and mid-sized companies who did business beyond the U.S. borders exceeded his imagination. He remembered entering the blogosphere, and how his first post on cross-border transactions gave him widespread recognition as an international tax authority.

His partners evolved with him. Bill focused on advising on data security, integrity and privacy. "It's interesting," Oliver thought. "Bill is as much an IT guy as he is an accountant these days." And Wendy seized on the emerging accounting opportunities related to elder care and estate planning, areas that were thriving due to demand by aging baby boomers.

Long gone were the days of clients showing up with a shoebox of tax receipts on his desk.

A "ding" from a computer chime interrupted his thoughts, reminding him of an upcoming video conference with an accountant in Sri Lanka that receives some of his outsourced business. Oliver would spend the next hour reviewing a client's month-end reports generated from data automatically downloaded from the original sources. They'd be joined by one of their firm's seasonal freelancers and a valuation specialist from a firm they collaborated with.

Oliver looked at the final item on his calendar that day: A soccer game with his son. There's no way that would have happened in Tax Season 2010.

Present Day – February 2011: Oliver's world in 2020 is the result of trends that began at the turn of the millennium and flourished in its second decade. Those trends, reflective of larger societal shifts, reshaped the accounting profession, its practitioners and their clients. This report examines four trends, and their influence on the profession.

- Shifting Business Environment Creates New Opportunities
- Demographic Shifts Change the Face of Professionals and Clients
- From Data to Decision Making, Technology Changes the Accounting Profession
- High-Tech Enhances High-Touch Client Outreach, Relationships and Service

Here's a closer look at each.



I. SHIFTING BUSINESS ENVIRONMENT CREATES NEW OPPORTUNITIES

The next decade will be a period of rapid change and continuous churn for the accounting profession. The industry will exist in a state of permanent whitewater, requiring new levels of business agility and flexibility. Competition will intensify as new industry entrants, outsourcing and automation displace accounting, audit and tax professionals, especially for routine and lower-value services.

Banks, other financial services companies, software and Internet firms will offer an increasing array of accounting and tax-related products and services.

Financial outsourcing to lower-cost countries will continue to grow. India, for example, already attracts global accounting work and other countries are moving into this field. In Sri Lanka, the average accountant earns \$5,900 per year, well above the average wage. Seeing opportunity, the government has targeted accounting outsourcing as a growth industry.

Consulting and business advisory firms, as well as other non-accountants, will take advantage of new software and analytical tools to provide new accounting-related services. These tools will also make bookkeeping and tax preparation cheaper and easier, reducing demand for lower-value accounting services.

Globalization will require accounting professionals to master new skills, knowledge and standards as a growing number of clients operate across borders. The U.S. Securities and Exchange Commission has issued a plan to require U.S. companies to issue financial statements to the International Financial Reporting Standards (IFRS) by 2015. Consequently, practitioners will be required to gain expertise in both the U.S. Generally Accepted Accounting Principles (GAAP) and IFRS reporting standards. In addition to the changes brought by IFRS, other regulatory and legal requirements will continue to expand as governments at all levels increasingly require accounting professionals to help with compliance. Even accounting professionals serving small businesses will need knowledge of standards and regulations of other countries as their clients expand their customer base internationally.

The shift to a growing contingent workforce – freelancers, contractors, part-timers and temps who are moving away from traditional employment - will change the way small businesses are run. This creates new business opportunities for accounting professionals who understand this market niche. Similarly, contractors and freelancers will create alternative ways for accounting firms to access talent, improving their agility and ability to serve customers.

In addition, the growing numbers of small businesses providing specialized services, especially the personal, or one-person shops, will expand the market for accounting firms. Over the next decade, the total number of small and personal businesses in the U.S. alone will increase by more than 7 million, and they'll need more than accounting professionals' traditional compliance services. Many of these businesses will be Web- or mobile-based, with a global reach. As a result, they'll require a broader range of services, such as assistance with foreign tax codes.

Health care will become even more expensive and complex and a growing emphasis on sustainable business practices will require new ways to monitor and report on business operations.

THE NEXT DECADE IN ACCOUNTING

- Many services currently provided by accounting professionals – especially low value-added or easily automated services, such as data entry, bookkeeping and simple tax returns – will become less profitable and even disappear due to competition, automation and outsourcing.
 - Growing business complexity, knowledge requirements, regulatory and legal change and client expectations will favor accounting specialists over generalists.
 - Specialization will lead to increased collaboration and partnering among accounting firms and other financial professionals, both domestically and internationally.
 - Successful accounting professionals will take on new roles as consultants and advisors, providing performance management, decision support and similar services, with less emphasis on nuts-and-bolts functions such as computation and tax preparation.
 - Globalization, the health care industry, aging baby boomers and an increased emphasis on sustainability and sustainable business practices will create new opportunities for specialization.
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II. DEMOGRAPHIC SHIFTS CHANGE THE FACE OF PROFESSIONALS AND CLIENTS

The coming decade will bring a broad range of demographic shifts.

Baby boomers – born between 1946 and 1964 – started turning 65 this year, creating a new breed of senior citizens. By 2020, one in six Americans will be over 65. But they will not be traditional seniors. “Unretirement” and active engagement best describe their lifestyle choices as they continue to work part or full-time in current professions or start new careers.

The Digital Generation – also known as Gen Y, or the Millennials – will grow up, with the oldest turning 40 in 2020. This group, born between 1980 and 2000, are quick adopters of new technology. Gen Yers are career- and family-oriented, and they’re looking for careers that provide work/life flexibility.

Women will hold more leadership roles in the workplace, politics and education. Due to higher levels of education and the shift to a knowledge economy, the gender gap in earnings will narrow over the decade and approach parity by 2020. In many professions, including accounting that boasted 59 percent female graduates in 2009, women will provide the majority of new entrants and a growing percentage of senior executives.

Multiculturalism will define the next decade. Minorities will comprise 40 percent of the U.S. population, with half of them being Hispanic. In the four largest states – California, New York, Texas and Florida – minority populations will collectively become the majority. This will lead to a blurring of cultural, social, ethnic and racial lines and make traditional divisions less relevant.

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CLIENT IMPLICATIONS

- Aging baby boomers will look for guidance in the areas of financial planning, retirement and estate planning, health and elder care. They’ll turn to accounting professionals advisors as they start and run full- and part-time businesses.
- Tech-oriented Gen Y clients will expect to interact with their accounting professionals digitally, using online and self-serve customer support in addition to traditional methods.
- Women, who have been starting small businesses at twice the rate of men over the last decade, will increasingly be financial decision makers for businesses, making them an important client segment.

FIRM IMPLICATIONS

- Accounting firms will need to offer flexible work options and increased work/life balance to attract and retain talent. Those that cannot provide this flexibility will be at a competitive disadvantage.
- In addition to flexible work options, Gen Y workers will seek tech-savvy employers using up-to-date digital tools. This emerging workforce also expects learning and growth opportunities.
- Staffing at firms will need to reflect and support the growing needs of multicultural clients and those conducting international business.

III. FROM DATA TO DECISION MAKING, TECHNOLOGY CHANGES THE ACCOUNTING PROFESSION

The already rapid technology changes in the accounting industry will accelerate over the next decade. The Internet and high bandwidth wireless networks will continue to expand and grow. Cloud computing platforms and applications will combine with advanced analytical tools, ever-larger data sets and social and mobile computing to reshape the profession.

Smartphones, tablets, notebooks and other mobile computing devices will become the main tools for managing the accounting professional's complex choreography of work and life. These technologies will reinvent work and the workplace, allowing greater flexibility around when, where and how work is done. Being onsite will become much less important, and these tools will enable, and often require, anytime, any place work.

Increasingly advanced, yet cheaper, computing power, networks and the Internet will lead to the highly developed automation of data collection and information sharing. They will also improve data quality and greatly reduce, but not eliminate, the time required for data validation. The shift to digital data will not kill paper, but the number of "shoebox" clients the accounting profession serves will dramatically decline by 2020.

These technologies are also driving the creation of new and more powerful analytical tools and software. These tools, coupled with automated data capture, will shift the focus of accounting from computation to consulting, as clients increasingly rely on their accounting professionals to analyze business information, support decisions and provide strategic advice.



Technology will increasingly be woven into the fabric of the accounting profession. The professionals of 2020 will understand data integrity, security and privacy concerns as well as the broader use of decision-support systems. Accounting professionals and firms will become expert users of and advisors on financial technology.

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- The amount of time and effort required – and client needs – for data collection and validation will be substantially reduced.
- Data analysis tools and software will greatly increase the opportunities to provide clients with analysis, performance management and decision-support services.
- Technology consulting opportunities for accounting professionals will increase. Data management, security and privacy consulting opportunities will be particularly strong.
- System integration, training, installation, support and reselling opportunities will increase.
- Mobile and any time/any place technologies will allow tax and accounting professionals flexible work options and client interactions while maintaining superior client service standards.

IV. HIGH-TECH ENHANCES HIGH-TOUCH CLIENT OUTREACH, RELATIONSHIPS AND SERVICE

Amid these technological and demographic shifts, one constant remains: Trust is the hallmark of the accounting profession.

This trust level developed because the accounting industry consistently delivers quality services and provides high-touch, personal client support. Because of this, most accounting firms have let their work speak for them and have traditionally relied on word of mouth to gain new clients.

Over the next decade, competition will increase. Time will be at a premium. Potential clients will be tempted to turn to online information sources. As a result, traditional marketing methods will not be enough. Accounting firms need to embrace new ways to reach prospects and to serve and support existing clients.

Today's consumer naturally turns to the Internet and online information sources to research, buy and sell everything from books to buildings, movies to music, day care providers to doctors. This access to information has shifted power from producers to consumers and fundamentally changed how consumer-oriented firms market themselves.

The same forces are at play in business services, including accounting, tax, auditing and consulting. Businesses use many of the same online resources and tools as consumers to find and compare service providers. For example, a 2009 study by the nonprofit think tank, The Society for New Communications Research, showed that business decision makers turn to online social network contacts more often than other sources for advice on purchasing goods and services.

This shift will make an accounting firm's online presence critical and its mobile presence crucial, especially in efforts to market itself. Just as consumers use websites and social media to compare and review products, potential clients are already going online to choose their accounting service providers, a trend that will undoubtedly become the norm in the next 10 years. Firms and professionals who use online content to demonstrate experience, domain knowledge and thought leadership will be at a competitive advantage.

The growing role of marketing and branding won't change the importance of satisfied customers and word of mouth. Clients will expect real-time support that is delivered when, where and how they want it. Online customer relationship management and support systems will grow in importance. High-touch client contact will not go away, but customer relationship management (CRM) systems will automate simpler support tasks and provide clients with self-service options. It's not just high-touch; it's also "high-touch, high-tech."

THE NEXT DECADE IN ACCOUNTING

- Accounting firms will need to develop or source online marketing expertise and use their web presence to highlight their skills, areas of specialization and scope.
- Online social networks will become a key source of client referrals, prospects and new clients.
- Social media will increasingly be used to establish firm reputation and brand.
- Automating and improving client service through the use of the Internet and CRM systems will be required to meet growing client support expectations.

CONCLUSION

2020 will cap 10 years of society's transition to mobile and social commerce, driven by new technologies that allow consumers and businesses to compete locally and globally. This shift will drive consumers and businesses to turn to accounting and tax professionals for competitive strategies to navigate the global marketplace, not just prepare financial reports and tax returns.

As small businesses embrace social networks, so must accounting professionals. Globalization will be the norm, as small businesses use web access, real-time manufacturing, and mobile marketing to reach across borders for customers and suppliers. Accounting professionals who are knowledgeable in international standards, regulations, and processes will thrive. Accounting firms will increasingly rely on each other's capabilities and collaborate to compete more effectively in the international marketplace.

