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Class of 2025: The Future Finance Professional

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INTRODUCTION

Charles Darwin is credited with having once said that it is not the strongest of the species that survive, nor the most intelligent, but those most responsive to change. Very wise words and if finance professionals are to survive, it is their responsiveness to change, and that of their professional bodies, that will determine their fate.

No one can predict what the future will hold. The only thing we can foresee is that the world of the future will be very different from the world of today (ACCA, 2008). To keep pace with change, the professional bodies and their members will need to reinvent themselves, probably at a faster rate than ever before.

We need to imagine a world where accounting firms do not spend their time gathering and entering client data and accountants no longer focus on preparing financial reports and tax returns. Rather, they are likely to be involved in ensuring that automatically downloaded data comply with regulatory and tax law requirements, and to serve as advisory and planning consultants to their clients (Intuit, 2010).

To provide a context for the world of the future finance professional, it is firstly necessary to try to imagine the future world in which he or she will operate. In the following discussion, an attempt is made to determine the likely business environment in which a finance professional will operate 10 years from now.

A WORLD OF CHANGE

There are a number of trends that are likely to shape the next decade and this is the environment in which accountants will have to operate and survive. Some of the key trends include the following.

Technically savvy children will grow up and change everything (Intuit, 2010). Generation Z (born after 2000) will challenge the traditions of academia, demanding more personalised learning programs. Our educational system will need to meet the real-time, on-demand expectations of these young people and, in fact, these demands are arguably already on us. Generation Z will be fast and furious, with expectations of goods and services catered to their values, beliefs and interests (Singh, 2014).

Baby boomers may go grey but they will not necessarily slow down. By 2020, roughly 60 million Americans (i.e., one in six) will be aged over 65 and, in Europe, the ratio will be one in five (Intuit, 2010). The situation in Australia will be comparable. However, the majority of baby boomers are likely to work beyond the traditional retirement age, including many who may start their own small businesses. There will, nevertheless, be a shift in spending on retirement and health care services.

However, the most pervasive influence will be the Internet. Compared to now, the Internet will be less explicit and visible; rather, it will blend into the background of what we do. 'Experts predict the Internet will become like electricity – less visible, yet more deeply embedded in people's lives for good and ill' (Anderson and Raine, 2014, p. 1). A major research project (Anderson and Raine, 2014), canvassing over 2,500 experts about the influence of the Internet in the world by 2025, found many similarities amongst their predictions. The research found that existing positive and negative trends are expected to extend and expand in the next decade, revolutionising most human interaction, especially affecting health, education, work, politics, economics and entertainment. However, the same experts have concerns about interpersonal ethics, surveillance, terror and crime that may lead societies to question how best to establish security and trust while retaining civil liberties (Anderson and Raine, 2014).

As observed by Hal Varian, Chief Economist for Google (cited in Anderson and Raine, 2014, p. 7),

... the biggest impact on the world will be universal access to all human knowledge. The smartest person in the world currently could well be stuck behind a plow in India or China. Enabling that person – and the millions like him or her – will have a profound impact on the development of the human race. Cheap mobile devices will be available worldwide, and educational tools like the Khan Academy will be available to everyone. This will have a huge impact on literacy and numeracy and will lead to a more informed and more educated world population.

The Khan Academy referred to by Hal Varian is a non-profit organisation with the mission of providing a free, world-class education for anyone, anywhere.

Furthermore the overriding global themes for the decade ahead are likely to include shifts in regional wealth and power, extreme economic uncertainty and political transitions. At the same time, the business landscape is being reshaped by a combination of market volatility, globalisation and transformational innovation. The impact of these expected developments is compounded by rapid

advances in science and technology, demographic shifts and disruptive new business models (IMA and ACCA, 2012). Collectively, these forces of change are driving new societal values, needs and expectations and that will drive change in the way accountants work and the knowledge and experience they will need.

DRIVING FORCES FOR THE FINANCE PROFESSIONAL OF 2025

Four professional accounting bodies, namely the Institute of Management Accountants (IMA) and the Association of Chartered Certified Accountants (ACCA) in a joint project, the American Institute of CPAs (AICPA) and CPA Australia have published useful research on where they see the profession heading into the future. The following discussion considers the views reflected in these reports and other observations by professionals, in the context of a world of change already alluded to.

Embrace a bigger role

As businesses around the world adapt to an uncertain and often turbulent environment, there are opportunities for accountants to expand their role. First, there is the positioning of the finance professional in the organisation as economic, commercial and regulatory challenges evolve in the future. The Chief Financial Officers (CFOs) in organisations will be drawn into much wider strategic decision-making roles. A particular focus will be placed on helping the organisation maximise value creation through smart financial strategies (IMA and ACCA, 2012). This view is supported by the AICPA, which sees more emphasis on the accountant '... as the trusted advisor who, in addition to providing core accounting services, develops solutions to complex problems by integrating knowledge, expertise and resources from multiple disciplines' (AICPA, 2014, p. 5).

Second, growing audit and compliance expectations, coupled with demands for broader reporting of risk and total transparency, will create an increased technical workload. There is a possibility that this will also drive demand for internal audit to play an ever-greater role as management adviser (IMA and ACCA, 2012).

Third, a bigger role is likely to evolve in the assessment of sustainability. CFOs may well assume ultimate responsibility for ensuring total sustainability of their firms. As noted by IMA and ACCA (2012, p. 27), this implies

... pursuing truly sustainable triple bottom line strategies – encompassing people, planet and profits. As the understanding grows that financial sustainability cannot be achieved without environmental sustainability, the accountancy function may increasingly take on the mantle of measuring and reporting on the firm's environmental footprint.

A CPA Australia report (2007) concentrated on the accounting firm of the future. Although now a little dated, the report did correctly predict that '... hi-tech drivers of change that are expected to have the most impact on smaller firms in the near future are the internet, knowledge management, automation of financial data handling and changes in the working environment' (p. 4). The research also noted that '... business owners want advisors who can cover accounting, tax, finance and business issues' (CPA, 2007, p. 4). The expansion in the accountant's role has continued unabated and there is still no end to the opportunities for a bigger role in business in the future. In this environment, as the report commented (p. 5),

... clients are becoming increasingly sophisticated and forward-looking and have higher expectations ... they want value-for-money services, value-added services and accountants with business nous. The client of the future will have a sharper understanding of finances and be more demanding of quality service at value-for-money rates.

Recent research by IMA and ACCA (2015) has reinforced the argument that accountants will be embracing a bigger role. Their study asked over 1,500 ACCA and IMA members from around the world about their views on the skills, experience and priorities for current and future CFOs. The research was supplemented with a number of in-depth

interviews conducted with senior finance professionals from a range of organisations. The study found that enterprise strategy needs to be supported by smarter finance delivery. As the report (IMA and ACCA, 2015, p. 4) notes,

... successful alignment of the finance organisation to the strategy of the business is essential. By transforming the finance organisation, the future CFO team must ensure the right processes, systems and metrics are in place to aid strategy execution, deliver richer information insights and drive cost and process effective finance operations.

Furthermore, understanding how the business generates value is core to the future role of the CFO as, '... in the push to drive a sustainable return on enterprise assets, finance leaders need clarity on where growth will come from and where to allocate enterprise capital. But they can't do this unless they get their hands on the right data' (p. 4).

Ethical leadership

As Cooper (2012, p. 22) observes, '... without trust, we're nothing. The credibility gap that has opened up between accountants and the public must be closed'. Research undertaken by ACCA, which surveyed 250 accountants, 1,500 consumers and key opinion leaders from around the world, shows there is a perception gap between the accounting profession and the public when it comes to the issue of trust. 'Three-quarters of accountants believe the general public considers them trustworthy, but just 55% of the public agree. It highlights a huge gap between how the industry sees itself and what the public really thinks' (Towner, 2012, p. 16). The findings of the study also show that '... the profession needs to work on its own image compared with other professions. The public ranks accountants below high-trust alternatives such as doctors, nurses, architects and engineers, but sees them as more trustworthy than bankers, politicians, journalists and lawyers' (Towner, 2012, p. 16).

It is also possible that the loss of trust and reputation may be linked to the 'bean counter' stereotype of accountants. In commenting on the ACCA research, Cooper (2012, p. 22) observes that,

... demolishing these outdated misconceptions provides a clear opportunity for us, and 85% of accountants agree, saying the profession as a whole should be doing more to raise awareness about the value it contributes ... we also have an opportunity to address the concerns about ethical issues and conflicts of interest, and ensure the wider public recognise we have a central role to play in economic growth and recovery and in ensuring businesses behave in an ethical way.'

So as we move into a much more complex world in the next 10 years, the accounting profession is already on notice that there is a public perception that the profession could do more '... to highlight and prevent everything from small-scale financial irregularities to the major systemic failures that helped cause the global financial crisis and the ensuing uncertainty' (Towner, 2012, p. 20). A profession is allowed to exist and self-regulate while it maintains public trust. The accounting profession has lost much of its self-regulation since the era of the Enron, WorldCom and HIH Insurance failures and must continually reinforce and uphold its ethical values if it is to survive the massive change driving the global economy up until 2025 and beyond.

Adding to concerns about the ethical credibility of the accounting profession is the current debate on tax avoidance by multinational companies. For example, as Chenworth (2014a) notes, '... despite reporting decades of miserable results, Swedish furniture company IKEA's Australian arm has earned an estimated \$1 billion in profits since 2003, and almost all of it has been exported tax-free to Luxembourg and the Netherlands'. Another example concerns the operations of Amazon in Australia. Chenworth (2014b) notes that,

... leaked tax documents from accounting firm PwC in Luxembourg show how Amazon sidesteps the 30 per cent tax rates local players face ... the Luxembourg documents, obtained in a review led by the International Consortium of Investigative Journalists, contain some of the

first hard numbers and details on how Amazon pays virtually no tax for its non-US earnings, including in Australia. Last month, the European Commission announced an investigation into the secret 2003 advance tax agreement Amazon struck with Luxembourg that is the key to its global tax strategy.

The above are just two of many examples of what many Australians would regard as blatant tax evasion by multinational companies, with the assistance of the large accounting firms. Where is the ethical leadership from the profession?

The talent pool for 2025

The diverse range of demands likely of the finance professional of the future means a rethinking of the talent the profession needs if it is to survive. As Towner (2012, p. 20) observes, '... characteristics such as an entrepreneurial spirit, curiosity, creativity and strategic thinking skills could assume far more significance in the selection of tomorrow's accountants'. Actually, this is already starting to happen in Australia. In recent years, there has been a trend by accounting firms to recruit graduates with a broader range of skills, such as arts and law graduates, and fund them through conversion programs to give them the basic skills to prepare for the chartered accountancy qualification exams.

The demand for talent will put pressure on accounting firms. The firms will have no choice but to invest heavily in their best and brightest in all stages of their careers in order to remain competitive. As Prince (2015, p. 1) observes, '... managing partners and executive committee members will come under more scrutiny by their partners in their ability to lead and manage successfully. Firm management will have to make tough business decisions concerning under-performing partners'. According to Prince (2015, p. 1), within the next decade, fee pressures, rising staff labour costs and lack of quality staff

... will force firms to carefully examine their mix of services, industry concentrations, and their positioning in their marketplace relative to their technical/consulting resources and competition. Industry, niche, and service segment profit centers will come under more pressure for better results as the competition stiffens.

In the corporate sector, to remain in the CFO's office will require much more than financial acumen. As Scott Simmons, vice president of Crist Associates, a Chicago-based recruiter, puts it,

... no company wants just a really good finance person anymore; they want someone who can go beyond that ... In particular, soft skills are increasingly important and there's nothing easy about mastering the soft skills that are essential ... and which seem to boil down to clairvoyance, X-ray vision, and the ability to bend time (Stuart, 2007, p. 1).

In fact, the qualities needed across all corporate functions in the knowledge economy continue to change rapidly. As the IMA and ACCA (2015, p. 10) study points out '... volatility, risk, digitisation, business model transformation, customer centricity, diversity and innovation challenges are demanding new levels of leadership performance'. For the CFO function, the classic challenge now is how to transform talented individuals from having a narrow focus on functional perspectives to embracing the broader strategic CFO leadership capabilities needed in this environment. So in looking forward to a much more complex environment in the next decade, it is readily apparent that the accountant's skills of the past will not serve her or him well for the future.

WHERE TO FROM HERE?

In terms of the skills required of the accountant in Australia in 2025, the issues already discussed are increasingly necessary, even today. In the past 10 years, there has been a decline of around 20% of local students undertaking an accounting major in Australian universities. Accounting firms also say they are selecting candidates with broader experience in psychology, engineering, technology and economics (Tadros and King, 2014). Furthermore, with around 200,000 accountants having membership of Australian professional accounting bodies, accounting has been flagged by the Australian Workforce and Productivity Agency, which develops annual advice on the skilled list for the Department of Immigration and Border Protection, as an occupation now considered a 'borderline' inclusion on the Skilled Occupation List (Tadros and King, 2014).

Exacerbating the diminishing employment opportunities for accountants in Australia is the move towards outsourcing of accounting processes by Australian firms to offshore locations. Once controversial, offshoring is now just part of business life. A report by accounting firm BDO, based on the responses of more than 500 business leaders around the globe, found that more than 46% in the Asia-Pacific region plan to outsource in the next decade. This is up from just 14% of the businesses who were already outsourcing at the time of the survey in 2012. It was also reported that of those that plan to outsource, about 40% plan to go offshore (Khadem, 2012).

Other figures confirm the popularity of outsourcing, especially in professional services firms. A report published by CPA Australia (2010) cites global figures showing finance and accounting services make up about 10% of the \$US975 billion worldwide business process outsourcing market and that the figure is expected to increase. The most common activities outsourced by CPA Australia members included those requiring minimal skills, such as accounts payable and receivable. Some believe that, in future, business will outsource more high-level roles (Khadem, 2012).

One can reasonably predict that there are inevitable changes ahead likely to have a considerable impact on the accounting profession. In the area of compliance work, changes are already occurring. As Nixon (2014, p. 3) observes,

... we have already seen a proliferation of "outsourcing" companies offering compliance services (off shore) on behalf of accounting firms. This trend will continue. With so much outsourcing going on is it feasible that the owner of a small business could get most of their compliance work done "direct" rather than going through an Accountant – the middle man? I think so.

Further to the prediction in the CPA Australia (2007) report, later research has noted that clients are becoming smarter and more business savvy. They have fast and inexpensive access to information through the Internet. Nixon (2014, p. 4) comments that after surveying over 7,000 business people in Australia,

... they have told us that they are looking for seven key service offerings over and above compliance. These include Growth: help with growth of revenue and wealth; Profit: help with understanding and improvement; Cash flow: help with understanding and managing; Asset protection: help to protect all assets; Succession: help with selling part or all of the business at some point; Tax minimization: help with legally reducing tax payable; and Retirement: help with financial retirement or full retirement.

There is no doubt that progressive accounting firms can and should be offering these services if they are to survive into the future.

Furthermore, as is evident from some of the issues discussed above, soft skills development will become increasingly important. As one of the interviewees quoted in the IMA and ACCA (2015) report observed, '... the biggest challenge we have in developing future CFOs are skills in communication, change management, influencing, and people management.' (p. 10). It is arguably then only a matter of time before accounting schools will be forced to integrate much higher levels of communication and strategic management skills into their courses than they do at present.

In the meantime, to protect their position in the market, accounting schools in Australian universities are increasingly relying on international students from developing countries that still have a great demand for accountants in the traditional mould. One opportunity is to develop relationships with good universities in countries such as China, India and Indonesia, so that students who have completed their degrees in their home countries can 'top up' with a foreign degree in Australia. Also, 3+1 and 2+2 programs are increasingly likely to develop. However, as the world becomes more connected through the impact of globalisation, offering traditional accounting courses is arguably only a stop-gap measure. More than ever before, business schools in Australian universities need to reinvent their accounting courses to expand outside traditional silos, or otherwise many will not survive, even if their universities do.

One development the Ernst and Young (2012, p. 12) report on the future of Australia's universities points to as seemingly inevitable as the deregulation of the university sector develops, is that '... private institutions will exploit profitable market niches, while others will create new markets and sources of value; for example, by specialising in select parts of the education value chain'. And here rests the vulnerability of traditionally taught accounting courses in Australian universities. As deregulation inevitably proceeds, organisations like Kaplan, Acquire Learning and Pearson Education are not going to build wind tunnels for engineering courses or expensive laboratories for science courses. They will aggressively target accounting and finance courses, especially considering over 50% of international students undertake commerce courses in Australia.

LOOKING FORWARD

We are in a world of constant change that insulates no one, finance professionals included. In fact, the pace of change is likely to be so fast that unless the accounting profession broadens its skill set, it may not have a future. Business is increasingly global and business models subject to unpredictable economic, political, social and environmental changes and the profession must adapt to survive. Finance professionals must embrace a bigger, broader role. Public perceptions of arguably poor ethical standards need to be addressed and the profession needs to revisit its skill set. There is a tsunami of change enveloping the world of finance and unless the profession recognises and adapts, or adopts a leadership role, its very survival is in doubt.

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