



insight

2019 SPECIAL FEATURE

TRUST IS NOT ENOUGH

Recharting the CPA's
Path Forward



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Trust Is Just the Beginning

BY DANIEL HOOD

There's a joke making the rounds about a balloonist who veers off course and gets lost out in the country, and finally spots a stranger in a field.

"Can you tell me where I am?"
the balloonist asks.

"You're in a balloon 30 feet over a field,"
the stranger replies.

"You must be an accountant,"
the balloonist says.

"I am. How did you know?"
the stranger says.

"Because what you told me is technically correct but totally useless,"
the balloonist explains.

There are versions where the accountant gets in a snappy reply about people being snarky with those who are only trying to help them with problems they created themselves, but the core of the joke is the balloonist's assessment of the accountant (who sometimes appears, in yet other versions, as a mathematician, or occasionally an engineer).

That assessment brought to mind the accounting profession's proud boast that its members are their clients' most trusted advisors. I don't doubt for a moment that this is true—there are plenty of surveys that prove it—but I do wonder sometimes how much it's worth. Let's start with the fact that the bar is pretty low. When it comes to client trust, accountants are competing with bankers, stockbrokers, insurance agents, and lawyers—hardly a crowd that inspires confidence. (And that's without bringing in politicians, the media, big business, and all the other sectors of society that have seen public trust in them crater over the past 20 or 30 years.) If you can't win "Most Trusted" there, you should probably hang up your hat.

What's more, what do accountants get in return for all that trust? Clients question your bills, leave you out of the loop, ignore your advice, and expect you to clean up their messes. They trust you to estimate their height off the ground and to reliably identify a field when you're standing in one, but you'll notice that the balloonist didn't ask the accountant for a rope, or help getting down, or advice about not getting lost in the future.

And that brings me to my main point, which is not that being the most trusted advisor isn't worthwhile, or an admirable achievement—it is, and the accounting profession should be proud of it. But it should only be the start.

That trust should be the foundation of a long, deep relationship, a partnership, where client confidence in their accountant meets forward-thinking advice based on business expertise, technical skills, sophisticated use of technology and data, and a constant desire to demonstrate value.

Trust and value are not synonymous, but nor are they incompatible, and a position of trust such as the one accountants already occupy is a perfect place to begin demonstrating how much more they can do. As it sees core services commoditized, the profession needs to create new services that clients want, rather than merely need, and that help them thrive, rather than merely avoid trouble. Delivering regulatory compliance is enough to engender trust, but it will not create the same perception of value as meaningful, actionable personal and business advice and proactive services.

That, then, is the challenge for the accounting profession: to stop settling for being the most trusted advisor, when they can use that as a springboard to being something else, something potentially much greater: the most valued advisor. @



Daniel Hood is editor-in-chief of Accounting Today and Tax Pro Today and has covered the tax and accounting field for more than 20 years. This article is included with permission and originally appeared in the March 2019 Issue of Accounting Today.

Does Trusted

Now, more than ever, CPAs must redefine who and what they are to their clients and companies or risk their relevance in a tech-heavy business world.

BY TODD SHAPIRO



Mean Valued?



There is a lot of truth

in the statement I can't stop repeating since hearing it at a conference last year: "We will never see the pace of change slower than it is right now." That is a scary thought for many of us who have come up in professions largely steadfast in much of their tradition. The trouble with tradition, sometimes, is that it becomes dated. Below, I will make the case that the CPA profession, while still important to society and the business world today, risks becoming outdated tomorrow.

Advancing technologies are quickly taking over tasks that many in the CPA profession have built their entire livelihoods and practices around. Technologies like artificial intelligence, blockchain, machine learning, robotic process automation, and more, are disrupting status quos across every industry. And, yes, that means in every industry CPAs touch (keep in mind this is status quo for new generations coming up in the CPA profession now). From accounting to analysis, audit to tax, financial planning to risk management, there is—or soon will be—a technological option for it all. However, while technology itself may be the driver of much of the change and disruption we are witnessing in the business world, it is only part of the disruption CPA firm and accounting and finance leaders must face.

The AICPA predicts inter-related impacts in hiring practices and new client demands will significantly change the CPA profession moving forward. I will go so far as to say that the sustainability of the CPA is at risk if we don't start to rethink, redefine, and rebrand what the CPA

is to the business world. CPAs have hung their hats on being "the most trusted business advisors." Now, I contend that CPAs must become "the most valued and strategic business advisors."

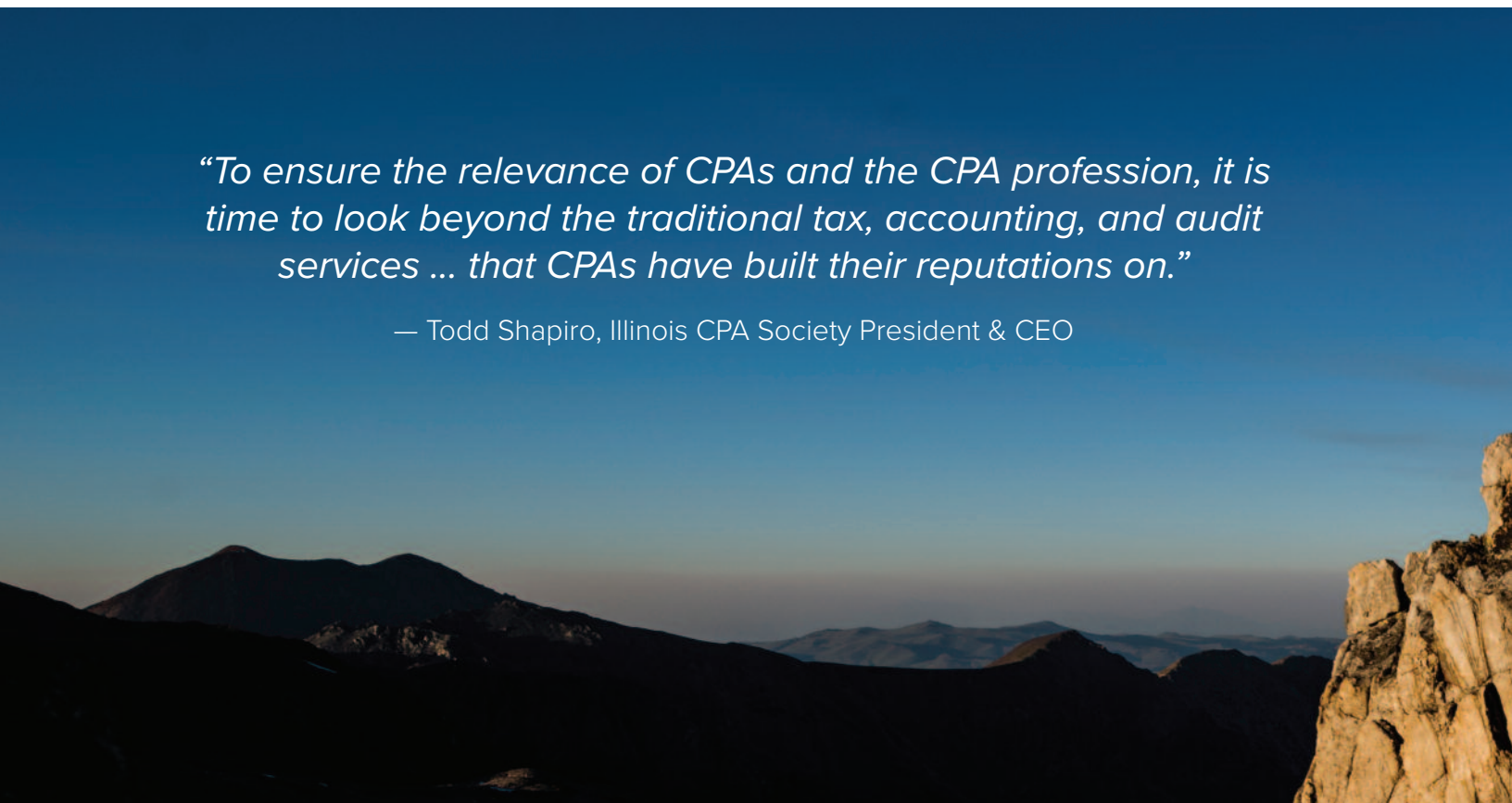
Think about this. In 2018, the World Economic Forum's "The Future of Jobs Report" identified the top 10 roles it expects to decline by 2022. "Accounting, bookkeeping, and payroll clerks" ranked second on the list and "accountants and auditors" came in seventh. Looking to 2020, the World Economic Forum's top 10 most in-demand jobs list pegs "accountants and auditors" at number 10—bordering on the brink of falling off the list.

To ensure the relevance of CPAs and the CPA profession, it is time to look beyond the traditional tax, accounting, and audit services—what I refer to as compliance services—that CPAs have built their reputations on. For years, being experts in these areas has treated CPAs amazingly well, but we cannot overlook that companies and clients today are demanding so much more from their business advisors—think deeper strategic insights, data analysis, and predictive analytics, just to name a few. (Hint: "Data analysts" and "management analysts" rank numbers one and five on the World Economic Forum's 2020 top 10 in-demand jobs list.)

Further, from Wall Street to Main Street, every business needs top line revenue growth to remain viable and successful. But how often do businesses turn to their CPAs for help in growing their revenues

"To ensure the relevance of CPAs and the CPA profession, it is time to look beyond the traditional tax, accounting, and audit services ... that CPAs have built their reputations on."

— Todd Shapiro, Illinois CPA Society President & CEO



outside of those one-off cases when they call with questions? By nature of the accounting, audit, compliance, and tax work CPAs commonly perform for their clients and companies, they know more about the inner workings of these businesses than most. What are CPAs proactively doing with this knowledge?

A recent survey asked business owners what they would want most from their CPA if they had a magic wand. “Profit improvement” and “strategic planning” were among the top answers, which makes it clear that these aren’t services that CPAs are commonly selling. Meaning, that CPAs’ deep understanding of their clients’ businesses is not being leveraged into other services. Why not? While fretting about technology’s impact on the CPA profession and the broader business world, CPAs are missing out on capitalizing on a vital area that cannot ever be automated: strategic insight.

When we look at some of the traits that define great CPAs—the ability to dissect and understand a problem, analytical and communication skills, mastery of information, and being able to analyze data to drive decision making—it is clear that there is nobody better to meet the evolving service demands of clients and companies. And thanks to technology, CPAs have more data and tools than ever to provide new services and deeper insights in an efficient, cost-effective manner.

But the general public still hears CPA or CPA firm and thinks of accounting, audit, and tax. And, too often, CPAs are their own

worst enemies, defining themselves in these same limiting terms. While we historically regard CPAs as being the most trusted business advisors with broad business skills, we increasingly see recruitment of non-CPAs for advisory and consulting roles. Why? Because CPAs largely are—and have been—selling themselves short. This needs to change.

A senior partner I know from a relatively large firm recently told me of a meeting with a client about providing expanded services. The client’s initial reaction was along the lines of “we don’t need anything else from you, because we’re happy with our audit and tax services.” Yet, when the partner dug deeper, the client needed help making sense of the company’s ERP system data—the senior partner’s CPA firm had the capability to help with that problem.

My point here is that CPAs are only limited by themselves. Yes, public perceptions need to change. That will happen as CPAs celebrate and promote not just the skills and services that made them the most trusted business advisors but also the ones that will make them the most valued and strategic business advisors moving forward. The winners of tomorrow will be those who move from being assemblers of information to being business strategists that help drive companies’ top line revenue growth and success. Clients and companies will always need strategic advice and insights to help grow their businesses. If CPAs don’t provide it, someone else—or maybe something else—will. ©



WHEN TRUST IS NOT ENOUGH

Banking on being your clients' most trusted business advisor is a misguided, outdated approach. Becoming the most valued—most strategic—business advisor is the new path forward for CPAs.

BY DERRICK LILLY

**“Something’s
wrong.
Something’s
missing
here.”**

I’m sitting in the ninth-floor Chicago office of Illinois CPA Society President and CEO Todd Shapiro watching him become visibly agitated—frustrated even—about the future of the CPA profession and the troubling complacency he sees within it.

“People in the CPA profession have done very well and are still doing very well; they have more business than they know what to do with, but that leads them into a false sense of security about the future,” Shapiro warns.

For years, he has been stressing to Illinois CPA Society members, CPA firm managing partners, other state CPA society leaders—basically anyone in the profession willing to listen—that this time it’s different. This time, the technological disruption impacting the accounting and finance profession—the accelerating development of artificial intelligence (AI), blockchain, robotic process automation (RPA), and more—isn’t just an evolution of productivity tools but a revolution. The trouble is almost everyone is too distracted to really think about it—business is good, and good long-term strategic planning isn’t easy when you’re busy.

Shapiro acknowledges that CPAs are busy—even when it’s not their busy seasons—but his concerns stretch beyond who is busy now. His concerns are about who won’t be busy if action isn’t taken to prepare for what’s ahead. His concerns are for those who keep telling him that “we’ve been through this before,” that “that won’t happen,” or “it can never happen.” His concerns are for the CPAs who say, “Accountants have reinvented themselves before; remember Excel?” And let’s not forget that many baby boomers say they’re just a few years away from retirement, so none of this really affects them. Shapiro tells me, more or less, that statements like these are shortsighted, especially in the face of a slowing global economy.

“We are looking at revolutionary change,” he stresses. “This isn’t like going from adding machines to 10-keys, and calculators to Excel, and PCs to smartphones. We’ve witnessed a tremendous technological evolution in the CPA profession, but the change on the horizon is unlike anything we’ve ever seen. This isn’t simply a change in productivity, this is a change in how work is done. This is a change in what we do. We are talking about AI and RPA replacing CPAs, replacing people. Stop saying we’ve been through this before.”



THE TRAGEDY IN TRUST

“The most trusted business advisor.” It has a nice ring to it, and generations of CPAs have put in the work to earn such regard for all those who can place those coveted three letters after their names. But those that are still banking on this endorsement to shield them from a changing business landscape will be betrayed. Trust doesn’t ensure relevance, sustainability, or success—at least not like it used to.

“Some CPAs use the ‘most trusted advisor’ mantle as a way of avoiding necessary changes. Trust should just be the foundation on which CPAs build relationships that deliver high levels of value,” stresses Dan Hood, editor-in-chief of Accounting Today.

If you speak with Shapiro long enough about his predictions for the profession, it becomes clear that his concerns stem from the fact that the vast majority of CPA firms still live or die on clients’ trust to provide accurate and timely transactional accounting, audit, and tax services—services that are quickly becoming commoditized and are ripe for automation; services that many CPAs seem complacent in providing.

Some will say he’s being paranoid—there will always be a need for CPAs, right? Well, widely cited research by the University of Oxford warns that accountants and auditors face a 94 percent probability of having their jobs computerized, and tax preparers face a 99 percent probability of being automated. Intel founder Andrew Grove once said, “A fundamental rule in technology says that whatever can be done will be done. Success breeds complacency. Complacency breeds failure. Only the paranoid survive.”

Perhaps it’s time for every CPA to become a little paranoid?

“Established companies, complacent in their industry position, fail to anticipate their collapse. The companies wither not because they are surpassed in their core capabilities but because they don’t recognize that the competencies that once made them distinctive no longer define success. These stories have a whiff of tragedy—companies that used to be front-runners are overtaken by a changing world and stick with the status quo rather than investing in capabilities that will bring the next win.”

Try replacing the word “companies” with “CPAs” or “CPA firms” in the statement above. The words of authors Boris Groysberg, Whitney Johnson, and Eric Line in “What to Do When Industry Disruption Threatens Your Career” should hit home.

If not, ponder this: “There were points in the life of Blockbuster where they were sitting high and mighty. Same goes for Kodak. And the taxi businesses around the globe. ... If your firm hasn’t recognized yet that the game you’re playing has shifted, it’s soon going to catch up,” says Dustin Hostetler, co-founder of Transformity Solutions LLC, in “How to Transform From an Accounting Firm Into an Advisory Firm.”

“Traditional compliance and transactional services (i.e., tax, audit, and client accounting services) are well down the technology continuum to complete automation, which leads to devaluation,” Hostetler states. “That’s a slow death spiral into irrelevancy if that’s all you offer.”

THE THREAT OF TECH

To better understand the threat of technology the CPA profession is facing (and the opportunities it presents), I spoke with Chris Geier, CEO of Sikich, who is on the frontline, aggressively guiding his firm to be a market leader in a tech-dependent future. His efforts so far





have positioned Sikich as one of only two CPA firms in the top 30 that earn more than half its fees from non-accounting, audit, and tax practices.

Geier tells me Sikich has safeguarded its relevance and value in the eyes of clients by being “knee-deep in everything from robotic process automation to blockchain to marketing.”

“Diversification is a must for any CPA firm to remain competitive,” Geier states. “Firms that don’t expand beyond the strict bounds of accounting, audit, and tax—activities that are ripe for automation—will be increasingly vulnerable as the pace of technology-driven change increases, and the value of traditional CPA work declines amid significant fee pressure. As a result, they will face a clear choice: transform themselves or join a larger firm with a proven business model.”

Elaborating further, Geier says his top concern is the technological threat posed on the accounting and finance industry and the CPA profession’s ability to navigate it. “The threats come from the emergence of a plurality of technologies for data management and analysis, including artificial intelligence, as well as cloud technology and cybersecurity issues,” he explains. “Decades-old paradigms will be disrupted, requiring firms to retool utilizing new technologies. CPAs that continue to operate with a clear majority of their work in accounting, audit, and tax will increasingly feel fee pressure and, before long, find themselves in an untenable position.

“This isn’t fear-mongering. Instead, it’s an acknowledgement of reality,” Geier continues. “The good news is, this represents a great opportunity for CPAs to redefine their roles and become strategic advisers to their clients.”

As outspoken as Geier can be about the CPA profession, his critiques stem out of respect for it and a desire for it to succeed. Geier understands the value of CPAs. He understands Sikich’s success largely depends on a full roster and pipeline of talented CPAs being ready to take on a tech-driven future and bring meaningful insight to clients.

“CPAs are ingrained in client organizations and understand data. Therefore, CPAs are in an ideal position to analyze client data and identify deficiencies, as well as uncover and help clients understand growth opportunities. To fully capitalize on this position, CPAs must proactively educate and redefine themselves. Improving their skillsets, business acumen, and strategic thinking is of paramount importance.

“The most valuable service a firm can provide for a client is forward-looking counsel that offers them a look around the bend at emerging challenges and details ways they can overcome these challenges. As traditional CPA activities move toward more automation, those professionals must capitalize on their unique insights into client organizations to shift their focus to less rote and more valuable work, from backward-looking reviews of financial activity to forward-looking strategic guidance,” Geier continues. “I am confident proactive and intellectually curious CPAs can successfully make this pivot and thrive in a technology-driven profession.”

REDEFINING THE CPA

“Fortunately, we’ve long shaken the public perception of the green eyeshade accountant. Yet our profession is still fighting our own biases of what it should mean to be an accountant. These biases will limit our ability to keep pace with this fast-changing world,” said Bill Reeb, CPA/CITP, CGMA, CEO of Succession Institute LLC, in assuming the role of chair of the American Institute of CPAs.

Reeb made two other powerful statements: “We must accept that our technical aptitude alone won’t be enough,” and, “We must challenge our own ideas of what it means to be an accountant.”

“Being the most trusted business advisor simply is not enough in the profession today,” says Sandra Wiley, president of Boomer Consulting Inc., a regular on Accounting Today’s 100 Most Influential People in Accounting list.

When I ask Wiley what is enough, she tells me that CPAs must move to a consultative, future thinking, and growth mindset, which means thinking about not just what clients want but what they need—even when they don’t know they need it.

“We must get comfortable with the uncomfortable. Becoming the most valued and strategic business advisor starts with developing client relationships that encompass more than the traditional compliance work they expect from us,” she explains. “As clients see us acting as true business advisors, they will grow to expect deeper advice from us. They will expect us to be their thought leaders in the professions that they are in. The more higher-level work we do will position us to hold a powerful place in the eyes of our clients.”

“The all-important first step here is to make the mental shift from thinking of compliance services as the CPA’s primary product to thinking of them as the gateway to much more valuable and valued advisory services,” Hood suggests. “Pick your favorite client and review everything you know about them, all the work you’ve done for them, all the questions you’ve answered and advice you’ve given. You’ll probably find that you’ve done more advisory work for them than you realize—you just didn’t call it that, and you didn’t emphasize its value, and you probably didn’t charge for it either.”

“There is a competitive need to do this,” Shapiro argues. “Think about the common scenario where a client calls to say they are thinking about buying a new piece of equipment or property. Most CPAs likely don’t respond by asking the ‘why’ questions and prefer to offer a quick reply about the cost or tax consequences and then hang up. Stop it!”

In Shapiro’s view, this type of situation presents the perfect opportunity to start selling the knowledge CPAs have about their

clients’ businesses, to sit down and be a strategic thinker with them. Yes, every business needs good tax strategies, accurate audits, and insights into controlling costs, but becoming the most valued and strategic business advisor demands sitting down with clients and figuring out where their business is going, not where it has been.

“This is how CPAs start to change client conversations and redefine what they are to them as advisors. This is how CPA firms position themselves for a sustainable future,” Shapiro says with optimism. Given his background in corporate finance, you can see his mood shift and enthusiasm build around this transition. “At the end of the day, businesses need to grow their top line revenue, develop new lines of business, and outdo their competitors. When you can show them that you deeply understand the business environments they’re living in, that you know what drives growth in those industries, that you have the insights that are critical to their success, and that you can provide an unbiased view of where their businesses are going, you will not only be viewed as a trusted advisor but as a valued and strategic advisor, and you will be rewarded for that.”

“Candidly, this is the kind of rare service I’ve been receiving from my CPAs for many, many years. They come to my office once a month, we spend about 30 minutes talking about the financial results from the last month, and the rest of the time is spent talking about whatever business and strategic issues are keeping me up at night,” shares Allan D. Koltin, CPA, CGMA, CEO of Koltin Consulting Group Inc.

“If another CPA firm were to call me and offer to do my financial statements and tax returns for 50 percent less, I wouldn’t leave because the ‘fix’ (or stickiness as we like to call it) is the business advisory services we get from our CPAs,” Koltin says. “When it comes to strategic consulting, we need it to go from being a reactive, back-of-the-napkin conversation in passing to maybe being the most important value-added service we deliver to our clients.”

If you aren’t buying into the urgency here, consider that Koltin recently spoke with a large group of owners of privately held companies with sales ranging from a couple of million dollars to over \$100 million. He frankly asked if they had a magic wand, which services would they like most from their CPA firms—there wasn’t a single mention of financial statements or tax return preparation.



“We must look dramatically different 10 years from now for us to have something of value to pass on to younger generations of CPAs.”

— Bill Reeb, CPA/CITP, CGMA
CEO of Succession Institute LLC

"The reality is that in five years 50 percent of all compliance work will completely evaporate due to AI, RPA, and machine learning," Koltin predicts. "Make no mistake about it, this is not doomsday for the accounting profession. The opportunities for us are as tremendous as they have ever been. This is the lightning rod that will finally make CPAs the undisputed most valuable and strategic business advisors to their clients."

"I have never been more bullish about the future of public accounting and the impact that we are going to have on clients going forward," he continues, "but to do it we have to take the blinders off, develop a plan, and then make the investments to retrain and retool our partners and associates and drive our firms to the next level."

"You must define what you are going to be to your clients," Shapiro urges. "If you are going to pigeonhole yourself into the view that you don't have the time, or the right people, or that your clients know their industry better than you do, you won't be anything to your clients."

THE POINT IN PRACTICE

No matter which way you approach it, redefining your role to clients is hard. It requires time, consideration, effort and, above all, a true willingness and desire to do it. Pivoting into new practice areas is perceived as being easy—or at least more accessible—for firms like Sikich. But what about for small firms, which constitute the vast majority of CPA firms in the U.S.? To show how the small firm, or even the sole practitioner, can pivot and redefine their practice and perception to clients, I spoke with someone who would be more relatable to most CPAs.

Following stints in both public accounting and corporate finance, Joshua Lance, CPA, CGMA, managing director of the Lance CPA Group, succumbed to his entrepreneurial spirit and started his own firm centered around two passions—craft beer and coffee. Since venturing out on his own, Lance has grown his firm into a virtual practice with 14 associates and a global client base. His success in reimagining what a CPA firm can be to both staff and clients allows him to bring a unique perspective to his role as a member of the Illinois CPA Society Board of Directors. Given where the profession is headed, Lance's strategy has seemingly placed his firm on a path for long-term success and sustainability.

"My concern about the state of the CPA profession has been that it is too reactive and defensive versus being proactive and progressive. So, my strategy was driven by understanding that businesses and consumers increasingly want to work with people who are experts in their fields and can work in a way that is accessible for them," Lance says.

He explains that starting a virtual firm highly niched in craft breweries was a way to redefine what a CPA firm could do to serve a rapidly growing market here and abroad. "By specializing, we became experts in the industry of our clients. By being cloud-based, we can work proactively in real time with our clients in a manner that is convenient for them," Lance says. "This approach also gains us the benefit of not being geographically limited—our small firm can serve clients across the country and globally. This strategy, I think, will become even more necessary in the future; the time of generalization is over."

When I ask him to elaborate further on his last statement, Lance says that becoming a valued and strategic business advisor starts with identifying what your clients truly value. His clients, for instance, don't value the audit or the tax return—those are expected. They value his insights because he has a deep understanding of their work and what it takes to be profitable and successful in their industry.

"We leverage our experience working with different craft breweries to better serve each brewery we work with," Lance states. "For example, we had one brewery client who was struggling to break even. We did a deep dive analysis of each area of the business and found one area that was causing most of the bleeding. The issue was quickly addressable with solutions we've suggested to other clients. Almost overnight the business went from being cash flow negative to having positive cash flow."

"Another way we provide added value is by educating our clients. We bring in speakers to help them learn to better grow and scale their breweries. We hold an annual event for our craft brewery clients where we provide benchmarks and analysis of 15 critical KPIs that illustrate how they stack up to peers and identify the business areas they need to work on," Lance explains.

When asked how others can redefine themselves in the eyes of clients, Lance suggests the first place to start is by reimagining your firm if you had to start fresh today. "You have to understand your 'why.' Would your firm do exactly what it is doing now, or would you want to do something different?" Lance asks. "Why does your firm exist? What is unique about it? What type of work do you like doing? What type of client do you excel at serving? What is the best way to serve those clients?"

Next, he suggests looking at your firm as it currently exists and consider the differences between it and your ideal firm. "Doing this simple exercise should make it clear what you need to work on," Lance says. "Maybe it's as easy as moving your technology into the cloud to make remote working a reality, or maybe it's more involved, like specializing in a particular industry and reshaping client service."

"Change won't happen unless you make it happen. Identify the area where your firm can do something bold," Lance encourages. "Making progressive shifts to advisory services and educating the markets on what CPAs truly offer will benefit you and the CPA profession in the long term."

THE NEED FOR CHANGE

Reeb made one other statement that should be taken to heart: "As we've done for more than a century, we must continue to evolve. We must look dramatically different 10 years from now for us to have something of value to pass on to younger generations of CPAs. We must move forward together—not in steps but in leaps."

Before writing this article, I asked Shapiro what he wanted this Insight Special Feature to achieve. He told me that he wanted readers to walk away from it with "a change of mindset. An acceptance that they must change and the belief that they can change and should change."

In Sage's whitepaper, "The Practice of Now 2019," 71 percent of U.S. accountants said they predominantly consider themselves numbers crunchers that focus primarily on reporting. Just 29 percent said they are predominantly financial advisors that focus mainly on strategic advice. There's great opportunity in change and redefining the CPA's role.

"At the core of it all, CPAs are immensely talented and capable businesspeople. Being the most trusted business advisor sells CPAs short. CPAs can and should own the most valued and strategic business advisor space," Shapiro concludes. "I will continue to be a voice for change, and the Illinois CPA Society will continue to be a voice for encouraging CPAs and the CPA profession to think differently about the future, to embrace it, and to move forward together." @



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