



sage

# The Practice of Now

Insight and practical advice for today's accountant  
based on the latest independent research

# Contents



# Introduction

Accounting is a challenging and changing profession. Its continual modernization over recent decades has directly tracked the growth of technology. Our independent research explores accountants' attitudes towards this and examines how their clients are changing.





Within this report we will learn that nearly all accountants say their clients demand more, and also expect their accountant to provide business advice. This shifting tide is forcing accountants to explore ways to become even more productive, freeing them up to spend time becoming their clients' trusted advisor. The research shows how to accommodate this change, accountants are considering the benefits that Artificial Intelligence (AI) can bring to a modern practice, with two thirds of accountants turning to AI for automation. Fewer repetitive tasks and fewer mistakes makes for better interactions with clients and improved service offerings.

Technology brings clear benefits for accountants, but they need to learn new skills, anticipate the future and reorient their thinking to put their firm ahead—all while anticipating and adapting to the increasing needs of clients and offering competitive service.

Accountants need to create the Practice of Now.

Launched in 2017, the Practice of Now report set an incredible precedent by consulting accountants across the globe to tap into their current thoughts and concerns—and to find out how they anticipate their practice looking tomorrow. Expert insight then examined the scope and impact of changes being brought to practices all around the world.

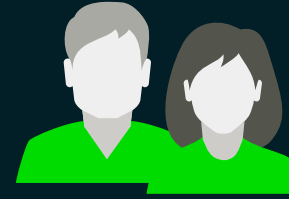
This all-new 2018 edition builds on this with fresh independent research that's more extensive and far-reaching than ever. It uses expert input to bring the story up-to-date. We invite you to read through the report, comparing and contrasting your own views to those the research has found.

Sage believes accountants and their clients cannot, and should not, be left behind as technology advances. Accountants have a duty to themselves and their clients to harness change, evolve their practice, and bring about exciting new possibilities.

### **We spoke to 3000 accountants from around the world**

Commissioned by Sage, Viga carried out independent research surveying 3000 accountants from across the globe (US, UK, Canada, Brazil, Spain, France, Australia, Ireland) to understand what the landscape for accountants looks like today and will look like tomorrow, offering practical advice on how today's accountants can continue to thrive and become the **Practice of Now**.

# Becoming the Practice of Now



**83%**

of accountants say their clients expect more now than five years ago



**42%**

of clients expect their accountant to provide business advice



This is why

**2/3rds**

of accountants are turning to AI for automation



Fewer repetitive tasks and fewer mistakes means...



...better interactions with clients and improved service offerings.

## The state of play: What's new?

Comparing some of the findings this year to what we learned last year shows how the world of accountancy has changed and evolved.





Let's start with some good news

**56%**  
of accountants say  
revenue is up

Over half of accountants say that practice revenue has increased in the last 12 months, with only 12% seeing a decrease.

2017 saw difficult trading conditions for any kind of business, so that the majority of accountants are bucking the trend is good news. This is despite the fact many accountants have been concerned about the rise of client accounting software packages and how a "DIY approach" could drive clients away. As the 2017 Practice of Now report showed, 38% of accountants saw emerging technology as the biggest threat to the accountancy profession.

In fact, former accountant and EVP of Partners and Alliances at Sage, Jennifer Warawa, puts the rise in revenue at the feet of cloud software.

"Those prepared to embrace new ways of working and evolve their business model really are reaping the benefits. Early on accountants were distracted by the suggestion that offering additional services could take away from their core accountability of offering taxation services and advice. But as the cloud has become mainstream, accountants are realising there's more opportunity than there is risk."

**Jennifer Warawa**

EVP of Partners, Accountants  
and Alliances at Sage

This is supported by another data point from this year's research that stands out compared to last year.



# 67%

## of survey respondents have their heads in the cloud

The clear majority of accountants believe that cloud technology makes their role easier by enabling collaboration with clients and improving service offerings.

Not only that but over half of accountants (53%) have adopted a cloud-based practice management solution. The long-heralded cloud revolution has clearly happened and it's positive for the industry.

This should be seen in the context of offering service excellence, which the survey suggests is just as much a priority as it was last year.

Amongst many other benefits, cloud technology allows an accountant to be connected to their clients 24/7. As a result, the accountant has an "always-on" view of client data. This can make tasks such as preparing quarterly or yearly returns much easier, but it also allows the accountant to watch for problems and provide timely advice to the client.

"Accountants adopt technology in a pragmatic way and not in an ideological way," says Klaus-Michael Vogelberg, Chief Technology Officer at Sage. "Once a technology delivers value I have observed that accountants quite happily embrace it. At the end of the day it's all about productivity. It's about how you can actually improve the client experience."

But Jennifer warns it isn't just about the technology.

"It's very much a cultural thing. Adopting cloud technology drives a different culture in a business and unlocks new opportunities. Initially people think the ways of working, and workflow, are all separate. But it's intrinsically tied together. And I don't think this was what accountants anticipated."

**Jennifer Warawa**

EVP of Partners, Accountants and Alliances  
at Sage





Let's look at the challenges accountants tell us they are facing

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# 40%

## of accountants feel less confident

Compared with 12 months ago, accountants say they feel less confident about the prospects for their practice.

Just 28% feel more confident about their prospects.

"Don't bury your head in the sand," advises Jennifer by way of a cure. "I find some accountants feel they haven't time for things like going to networking events with other accountants or undertaking

professional development. It's important to carve time out of your day to get a broader view of what's going on."

Recent times have seen some dramatic changes within the world of accountancy and it's easy to see how issues such as Brexit or economic uncertainties might dent the confidence of anybody with a central business role, such as an accountant. However, it seems that accountants are also feeling pressure from within their own industry.



**67%**  
of respondents feel  
competition is an issue

An overwhelming majority of accountants feel that the profession is more competitive than ever, and only 7% disagree.

Accountancy as a profession is more competitive today than at any time in history and is being pushed by increasing and evolving client demands. How an accountant responds to the challenge of competition and client demands is ultimately going to determine their success or failure over the next 5-10 years.

"It used to be that my accountant was down the street or across town. Today, people want an accountant who can really serve their business needs and they'll go all the way across the country, and in some cases to another country. The playing field has been levelled and competition is everywhere."

**Jennifer Warawa**

EVP of Partners, Accountants and Alliances  
at Sage

## **AI: Here comes the revolution**

The world of accountancy is changing as a new revolution takes hold. Accountants are being freed from the administrative burden of data entry and entering a world where administrative tasks are becoming invisible.





# 39%

of accountants  
describe themselves  
as early technology  
adopters

The top reasons for adopting new technology are time and efficiency (64%) and improving service quality (44%).

Kriti Sharma, Vice President of Bots and AI at Sage, suggests that the boom in technology we all use daily, such as mobile phones and tablets, is at least partially responsible for this figure.

"If it happens in the world of consumer technology it follows in business or enterprise technology soon after, because the lines between business and consumer technology are blurring. We are doing everything with the same devices – and demand the ease of technology we use in our personal lives to be present in our working lives."

**Kriti Sharma,**  
VP of AI at Sage

But it's the next survey finding that challenges any belief about conservative attitudes amongst accountants.

# 66%

## of accountants would invest in artificial intelligence (AI)

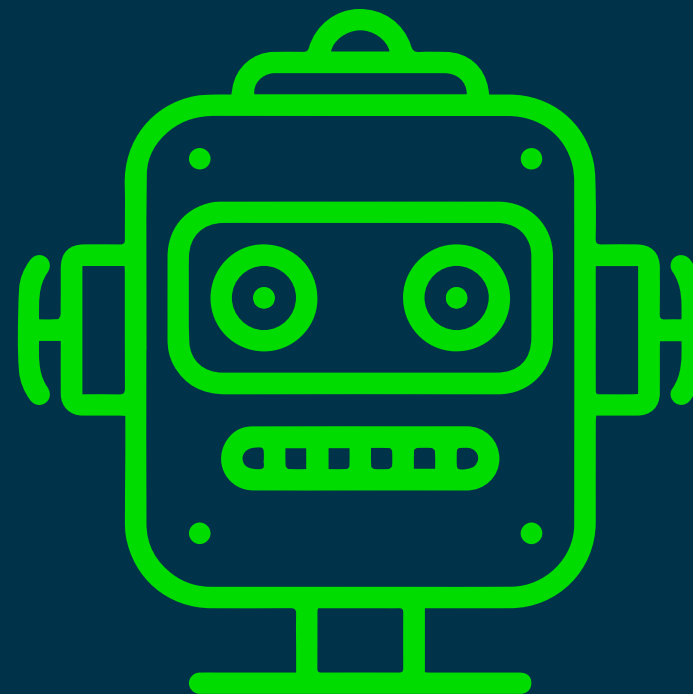
The clear majority of accountants would invest in AI if it automated time-consuming and repetitive tasks.

This is one of the biggest changes compared to last year. In 2017, 68% of accountants predicted their role would change through automation, while 86% said they would be happy for technology to make administrative elements of their jobs invisible. In 2018, anticipation has turned into intent.

Once just a hazy mirage on the technological horizon, AI is now a reality with the world of business, just as it is within the consumer world where it's behind everything from

Netflix recommending movies to you, to enhancing cruise control so that cars drive themselves on highways.

While a robot in every workplace tending to its primitive photocopier ancestor is still science fiction, machine learning is one of the underlying components of modern AI that describes the ability for computers to essentially program themselves by making their own predictions based on probability. It's having a transformative effect across many industries.





**49%**  
of respondents  
want to automate  
the small stuff

Nearly half of accountants would most like to automate number crunching, data entry, email and diary management, followed by interaction with clients to process simple queries (18%).

While AI offers powerful automation capabilities, Kriti suggests accountants might want to broaden their horizons.

“Accountants are seeing AI as purely an automation tool, but the number of accountants who’d invest in AI will increase over the next two to three years as they start to see the true value of intelligence services. For example, accountants will be able to scale their operations by using AI to review millions of transactions that would have traditionally taken hours to do manually - spotting anomalies and making recommendations.”

**Kriti Sharma**  
VP of AI at Sage

Candidates for automation already include assigning incoming bank statement entries with the correct nominal codes—via training the machine becomes able to predict what codes should be used—but in the near future the power of AI to learn means it will become involved with operations like analytics and report creation.

For example, software will be able to predict a client's cash flow based on the company's previous behaviour. Based on self-generated data, AI will be able to make predictions and decisions. This isn't limited to client data. By examining things like seasonality data, AI can help with practice management.

AI and automation aren't just desirable because they make life easier. Research has suggested that the tedium of repetitive tasks can lead to a high staff turnover, introducing additional costs for a practice such as recruitment and training. Automating these processes makes complete business sense.



# 55%

of accountants plan to use AI in the next three years

The majority of accountants plan to use AI to automate tasks and improve the way they run their business.

Kriti suggests that this timeline is conservative and expects that, in fact, many accountants are likely to be already using AI within their business without even realizing it. The big changes coming soon are likely to be more to do with where and how we experience AI.

“Over the next two to three years we’ll see the expansion or the applications of AI becoming much broader,” she says. “And this will be at the front end, where users work, because at the moment there’s a lot of magic happening behind the scenes.”

“Everything around us is getting smarter. We’re getting very accustomed to looking at the future and getting insights. Clients will start to expect more predictive analytics in real time. Accountants have to respond.”

**Kriti Sharma**  
VP of AI at Sage



In other words, as with cloud technology, AI brings with it the fundamental reason why many enter the profession of accountancy – the ability to become a client’s trusted advisor, rather than merely a number cruncher.

“It’s not about AI working in isolation and gaining human level accuracy,” adds Kriti, “Or an accountant trying to do everything by themselves. It’s about combining the two together. For example, AI can flag the anomalies, saving time and resources, making the accountant more productive. Man and machine working together.”

# The accounting smart assistant

On top of machine learning there's another AI technology infiltrating the business world: Smart Assistants.

Kriti Sharma's team at Sage is behind the world's first accounting smart assistant, 'Pegg', a smart assistant powered by AI, designed specifically to make admin invisible. Pegg can keep a real-time account of expenses, track incoming payments, and automatically balance books. The more individuals interact with Pegg, the more intelligent the smart assistant will become.

What's most astonishing about Pegg is how it introduces "invisible accounting". It abandons accounting terminology and concepts that have been used for centuries. The user has no need to be aware of double-entry bookkeeping, for example. Their accounting requirements are pared down to just a handful of questions: "How much money do I have?", for example, or, "How much am I owed?"

It isn't hard to see similar smart assistants one day coming to all accountancy practices and acting as a first line of contact for clients. Indeed, some larger businesses including accountancy firms are already experimenting with using smart assistants in this way.



## The evolving client and their higher expectations

With the Accountancy profession being more competitive than ever, the only sane response in dealing with a competitive environment is to double-down on the one thing a practice should always prioritise: serving their client base.





**83%**  
of accountants say  
clients expect more

An overwhelming majority of accountants think that clients expect more from them today in terms of services and resources than they did five years ago.

Former accountant and Director of Accountant Partners at Sage, Cameron John, places this finding within the wider context of an increasingly commercial and consumer-driven society:

"With everyone that's providing a service today, we expect more. We expect more attentiveness and we expect our advisors to be on hand."

There is more contact than there has ever been. This presents space for the client/accountant relationships to evolve and grow, and a new generation of business owners are coming to expect nothing less.



# 42%

## of clients want more than number crunching

Nearly half of clients ask accountants to provide business advisory services over and above accounting, compliance and tax work.

Cameron suggests businesses can either see this growing requirement as a negative or a positive, but in either case there's no ignoring it: "If your practice doesn't transform then the competition is going to eat you up, so you've really got to make the most of this."

"Gone are the days of "finish my accounts and then send me a bill" – with no interaction. This is a service industry. It's all about relationships and that's what businesses now are expecting."

**Cameron John**

Director of Accountant Partners at Sage

One of the largest worldwide demographics, surpassing even Baby Boomers in some countries, is the Millennial generation.

Defined as those born roughly between 1983 and 2000, Millennials are rapidly defining the new normal when it comes to business practices—and business requirements. Having grown-up with technology, they don't even assume it will be part of their business life. It simply is. Their business plans are more likely to start by registering a website domain, for example, than registering a limited company.

Our survey shows many accountants are prepared for this. Intelligent use of technology can meet this need and accountants aren't afraid to use it.

# 42%

## of accountants get why technology is important

One of the top reasons for adopting new technology is to attract new clients (42%), with other reasons stated as time and efficiency (64%) and improving service quality (44%).

Technology can take a practice in a wholly different direction and provide unique benefits. Jennifer Warawa points out that businesses and individuals today are very tech savvy—and anticipate finding this same awareness and acceptance everywhere else.

“Any businesses that is looking for an accountant is not going to pick-up an accountant that isn’t using the cloud. And people aren’t switching accountants to try and find somebody who’s using older technology. Accountants have to step-up to the plate!”

**Jennifer Warawa**  
EVP of Partners, Accountants  
and Alliances at Sage

# 44%

## of accountants say technology has benefits

The biggest benefit of technology is that it gives accountants access to information and helps them provide insight and advice to clients.

Through the use of technology, accountants are able to go beyond being a service called upon once a year, or once a quarter. Technology nudges clients towards becoming “customers for life” and allows accountants to potentially provide support 365 days of the year.

“Technology will not make for better interactions with clients and improved service offering on its own. It affords accountants the opportunity to have better interactions with clients and an improved service operation.”

**Jennifer Warawa**  
EVP of Partners, Accountants  
and Alliances at Sage



# The Practice of Now in 2018

Empowered by artificial intelligence and with the cloud on their side, the Practice of Now has a laser-like focus on becoming the client's trusted advisor and improving service offerings.

## Heads in the cloud

67% of accountants believe that cloud technology makes their role easier by enabling collaboration with clients. With 53% having already adopted a cloud-based practice management solution.



## Artificial intelligence

More than half of all accountants plan to use artificial intelligence to automate tasks and improve the way they run their business. Letting technology take care of the manual, repetitive tasks frees-up the accountant's time.

## Competition

67% of accountants feel that the profession is more competitive than ever. Standing out by offering a greater range of services and business advice has never been so vital.



## Advisory services

83% of accountants think that clients expect more from them today in terms of services and resources than they did five years ago. Keeping-up with evolving client needs should be a priority for all practices.

## Service excellence

Accountants remain focused on using technology to provide excellent service to clients, with the majority saying they want best-in-class technology to offer the best services to clients.



## Becoming the Practice of Now

There's a message from this year's research and it's simply that smart accountants turn to technology to drive improvements to their businesses, and to create the space to become time-efficient business advisors for their clients.



In the same breath, technology is also driving those client's expectations and demands. Meanwhile the technological onslaught elsewhere, such as within government tax offices that are increasingly demanding electronic filing, shows no sign of slowing.

"In the near future, if a task is highly repetitive, the chances are that it's going to be supported by a machine. But accountancy and compliance will not necessarily get any easier. The bar is continuously rising. There will be a significant continuous increase in the sophistication in accountancy tasks."

**Klaus-Michael Vogelberg**  
Chief Technology Officer at Sage

'Technology drives the industry' is a truism of 30 years making, of course, since at least the invention of the desktop computer. However, recent technological advances have brought, and continue to bring, specific and significant benefits to accountants that are redefining their work and even their purpose. It falls to the accountants to grasp these opportunities and to become a modern day super-accountant.

"We should all be turning to technology. Businesses will get more detailed and more informed insights. But it also makes relationships better and stronger because businesses succeed when they get advice from accountants more regularly."

**Cameron John**  
Director of Accountant Partners at Sage



In recent years accountancy practices have seen this process occur with the power of cloud computing. They have seen the technology drive through not just a technological change but also cultural change within their business that has led to increased revenue.

And clients are where the focus should be. Now that accountants are seeing the same technological change happen with AI, which is simply a continuation of the cloud and mobile revolutions that came before, they again see their time freed-up to become the valued and trusted advisor they've always aspired to be.

We have seen throughout this report that technology is only the primary enabler for accountants, freeing up valuable time or alerting the accountant to potential problems that could prove costly both for their practice and their customers. However, to truly become the Practice of Now, today's accountant must fulfil their half of the deal and follow through with better interactions with clients, and improved service offerings—paving the way to continued success.

“Accountants were originally concerned that technology was going to take away from their core service offerings, but what it's actually done is free them up to do more higher value services for clients. They're now doing what their customers always wanted them to do.”

**Jennifer Warawa**

EVP of Partners, Accountants  
and Alliances at Sage





# View from the US

The Practice of Now report surveyed 8000 accountants from around the world, including 850 US accountants. The figures show that the outlook for accountants in the US is positive and that there's much to celebrate.

## Revenue up, confidence down

From the perspective of owning and running an accountancy firm it's good news: only 12% of US accountants say practice revenue has decreased in the last 12 months. Over half (51%) have seen an increase in revenue over that period.

However, only 28% are more confident about their prospects compared to 12 months ago while nearly half of US accountants (47%) say they feel less confident.

Despite this, more accountants in the US are happier with their vocation compared to the global average – 64% would recommend a career in accountancy to their 16-year-old self, compared to the global average (62%).

## Competition and clients

More good news is found in the fact that, while 56% of accountants in the US believe the profession is more competitive than ever, this is significantly below the global average of 67%.

The global findings show that clients expect more from accountants today in terms of services and resources than they did five years ago, and US accountants are in accordance with this – 82% of respondents report thinking this in line with the global average of 83%.

Despite this, US accountants also report that marginally fewer clients are asking them to provide business advisory services over and above accounting, compliance and tax work – just 37% in the US vs the global average of 42%.

## The cloud, automation and AI

When it comes to technology the majority of accountants in the US (65%) want to move at their own pace and say that technology is important but not their top priority. Their reasons for adopting new technology match with their colleagues elsewhere in the world: 67% report time and efficiency savings being important, with improving service quality (45%) and attracting new clients (36%) also topping their lists.

Cloud technology features on the radar of US accountants, with 40% already adopting a cloud-based practice. 58% believe cloud technology makes their role easier by enabling collaboration with clients and improving service offerings.

Nearly half of accountants in the US (42%) believe that AI can help them to complete simple tasks and improve the way they run their business. Most of them (57%) would invest in AI if it automated time-consuming and repetitive tasks.



Learn more at the Practice of Now website [www.practiceofnow.com](http://www.practiceofnow.com)

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