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ACCOUNTING

In Firm: 2020 IT Predictions and 2019 Results

With technology evolving at an increasingly breakneck pace and impacting literally every aspect of today's accounting practice, it has never been more difficult to separate the tech hype from the reality of workable solutions.

Roman Kepczyk • Dec. 06, 2019



The rapidly approaching year-end signifies that it's once again time to take pause, reflect on the progress of the previous 12 months and to begin planning for 2020,

particularly in regards to the impacts of Information Technology, which is one of our primary areas of focus. However, with technology evolving at an increasingly breakneck pace and impacting literally every aspect of today's accounting practice, it has never been more difficult to separate the tech hype from the reality of workable solutions.

This has created one of the most volatile IT environments that we have experienced in our careers, which is reflected in the great uncertainty and consternation we are hearing from both firm practice leaders and IT personnel alike. In the hopes of providing some clarity, we present our 2020 IT predictions which we will be utilizing to prioritize our direction in the year ahead.

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2020 Predictions:

With six WINS and only one LOSS, we'll close out 2019, by giving ourselves an "attaboy participation ribbon" and striving to do better and be more definitive in 2020. Accordingly, we list our top ten IT predictions which we anticipate becoming a reality by this time next year:

- 1. Outsourced Security Standard:** With ransomware on the rise and phishing emails abounding, firms will take security more seriously than ever and outsource their cybersecurity responsibilities. This leads to our first 2020 prediction that the majority of firms will work with a third party to manage their security rather than relying on their own internal personnel.
- 2. Rebuilding the firm "Tech Stack:"** This will be one of the hottest "tech" terms of the year as firm's focus on re-evaluating the tools and applications they utilize to service clients and put the majority of them in their "tech stack." This is all happening in the cloud where both native SaaS and hosted versions of on-premise application can be seamlessly integrated and accessed remotely on a single platform customized to each firm's unique needs.
- 3. Stalled Privacy Regulations (Again):** While the California CCPA law goes into effect in January 2020, there will be a long pause in adoption across the country as everyone takes a "wait and see" approach to see how it is applied. Political turmoil and elections will take precedence, so we are predicting no significant adoption of Federal Privacy Legislation by the Fall of 2020.
- 4. Data Visualization Democratized:** While we scored a DRAW on this in 2019, we predict that there will be a significant push towards Microsoft Power Query and Business Intelligence capabilities within Excel as the primary "accounting

consumer” application for data visualization. Training for using it with both internal firm applications (practice management) and external client needs will abound including the usage of non-financial metrics to help businesses make proactive decisions.

5. **Learning Concept Reemerges:** While we were promoting “Learning Organization” concepts two decades ago, the current environment warrants that this become a primary focus once again in firms to be able to quickly integrate new applications and processes. We expect to see an increase in firms designating “Learning Officers,” updating learning curriculums, and expanding firm learning well beyond required tax and assurance CPE.
6. **App(lication) Expansion:** The age of applications replacing human toiling will become obvious this year as firms question the value and functionality of their “old school” application vendors and add two or more completely new apps to their burgeoning tech stack that minimizes manual production processes. Integration of applications utilizing Machine Learning, Natural Language Processing, and Augmented Intelligence will be adopted within leading firms, heralding in the age of application expansion in the accounting profession.
7. **Portal Evolution:** With many firms utilizing two, three, or even more methods of file transfer and interactions with clients, we predict that at least one of the major software vendors will roll out a portal solution that combines the ease of two way transfers, customization of PBC lists, and integration with the firms other applications so a firm can pick a single solution that is easy for both clients and firm personnel.
8. **Data Trust Introduced:** There will be a significant environmental push towards identifying ways to “trust” the information and data we are provided by clients both live and after the fact. Accountants will be uniquely situated to own the space because of existing “trust” and “ethics” pillars that are owned by our profession, so we are predicting the push for “Data Trust” services in the year ahead.
9. **AI Delivered as a Service:** To be successful in the accounting profession, we believe that artificial intelligence tools need to be seamless and intuitive which means they need to evolve from stand-alone applications to those integrated with existing accounting products. We predict at least one of the major vendors will deliver on this prediction by next Fall.
0. **Innovation Mindset:** While “Practice Transformation” was management’s buzzword for 2019, we predict “Innovation Mindset” will be the strategic management buzzword for 2020. To promote the rapid adoption of digital tools, the entire accounting profession, vendors, and even academics, will focus on

touting innovative ways to add value to clients and businesses, which will all be driven by technology.

Well, that summarizes our top information technology predictions that we anticipate happening in 2020. We hope we have provided you with some new insights to think about as you prepare to roll into next year's strategic planning and another busy season.

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Now, let's take a look at how we fared with our 2019 predictions; to our count we tabulated six WINS, three DRAWS, and 1 LOSS as follows:

How We Did On Our 2019 Predictions:

- 1. Multi-Factor Authentication (MFA) Experiences Significant Growth (WIN):** We predicted that MFA would be utilized by a significant number of accounting firms either through vendor/government site requirements or implemented by the firm's IT team. With most firms utilizing some form of MFA either through their firm, their tax software, and the IRS, we will claim this as a WIN.
- 2. Biometrics Utilized (WIN):** We predicted that there would be a significant increase in accountants using their face or fingerprint to log into their smart devices which we have consistently experienced by observing people on their smartphones and tablets for the WIN.
- 3. Practical AI by Major Accounting Vendors (LOSS):** We expected at least one of the major accounting application vendors to roll out a product with usable Artificial Intelligence capabilities integrated into an audit, tax, or accounting application. While products are evolving quickly, the keyword "usable" has not come to fruition in our clients that have tried AI, making this a disappointing LOSS for the year.
- 4. 5G Reality (WIN):** We predicted there would be at least 20 US markets where 5G digital cellular is available, which it appears there were many more 5G rollouts, making this an easy WIN. We see 5G replacing some primary Internet connections in firms next year, but we will save that prediction for 2021 when we can survey firms.
- 5. Significant Digital Cellular Gains (DRAW):** While 5G will be limited to certain markets we expect that existing 4G digital cellular connectivity will see significant increased utilization as the primary Internet connection mechanism utilized by many accountants in the field. While we did see "significant" increased

utilization, we cannot say digital cellular became the “primary” method utilized making this our first DRAW.

6. **Transition to Consultative Future (WIN):** We expected to see a major push within accounting firms to transition their practices beyond traditional compliance to more business management/consultative rolls which will be a boon for the CPA Firm Associations and Consultant Training organizations in 2019. Yes, this is a solid WIN as we saw most consulting and CPE trainers develop some kind of “Transformation” program to help accountants become better advisors and the topic being included in every major conference we attended.
7. **Digital Analytics Adoption (DRAW):** As an expansion of the consultative focus prediction, we expected to see a surge in the actual use of “consumer grade” data analytic tools such as Tableau, Qlik, and Microsoft Power BI utilized both within the firms and for client consulting opportunities. We are taking a DRAW on this one as we saw significant interest and training on the data analytics tools across the profession, but not as much actual usage beyond the largest firms.
8. **Collaborative Application Adoption (DRAW):** As cloud applications allow for more work being performed remotely, firms will make a significant effort to adopt collaborative applications. In addition to increased usage of workflow tools, we predicted significant increases in the utilization of Skype, Teams, Yammer, and Slack. We’re taking a DRAW on this one due to split results. We did see firms did make a significant effort to adopt workflow tools but did not see a corresponding adoption of the collaborative applications like Slack and Microsoft Teams with many firms sticking with what they had.
9. **OCR Utilized in Majority of Firms (WIN):** While most firms have already transitioned to front end scanning, we predict that the use of Optical Character Recognition (OCR) to import data directly into tax returns will be utilized by the majority of firms that are ten members or more in their tax return production next year which the CPAFMA Digitally Driven Firm Benchmark Survey found to be a WIN.
0. **US “GDPR” Delayed (WIN):** We predicted that increased consumer privacy concerns would lead to the promotion of a federal law emulating the European Union’s General Data Privacy Requirements (GDPR) throughout 2019, which will cause chaos amongst the IT/Accounting vendors that will delay implementation. While this is a WIN for our prediction tally, it is a LOSS for us as citizens, opening the door to creation of individual State regulations, such as the CCPA which goes in effect for California in January 2020.

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