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Symposium - April 2024

Hosts Randy Johnston and Brian Tankersley, CPA, discuss the 2024 CPA Practice Advisor Thought Leader Symposium, which was held in Dallas in February..

Brian Tankersley • Randy Johnston • Mar. 27, 2024

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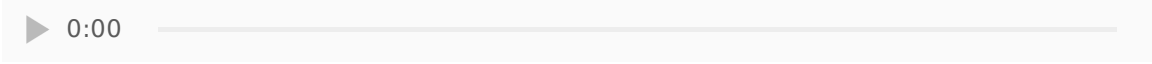
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Hosts Randy Johnston and Brian Tankersley, CPA, discuss the 2024 *CPA Practice Advisor Thought Leader Symposium*, which was held in Dallas in February..

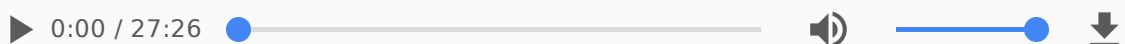
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Brian F. Tankersley, CPA.CITP, CGMA 00:00

Welcome to the accounting Technology Lab sponsored by CPA practice advisor. With your hosts, Randy Johnston, and Brian Tankersley.

Randy Johnston 00:10

Today, welcome to the Technology Lab. I'm Randy Johnston with my co host, Brian Tankersley. We're so pleased to talk to you about this CPA practice advisor thought leader symposium held recently in Dallas, Texas. Now, I've had the pleasure of attending these events since 2011. So this year was the 15th iteration of this particular symposium. The good news is lots of people that you know, and respect are in this thought leader group. And throughout the years, a number of us have been inducted into the thought leader Hall of Fame, with my entry being back in 2011. Well, this year's topics were quite interesting and pertinent to things going on in the profession. And, Brian, I know you've got some insights on several of these, but I thought maybe the right place to start was with the coverage of private equity inside the profession. And so maybe, maybe let's start off our listeners this time with that.

Brian F. Tankersley, CPA.CITP, CGMA 01:22

Well, and and, you know, what I will just say here is that is that I think private equity

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Randy Johnston 02:19

listeners, we just want to say it. And I know you've reminded me as well, even before we came on the air for this podcast, that this really is Chatham House rules, we do can't protect the privacy of the thought leaders along the way. We don't want to quote anybody directly. So we're being very cautious about what we do there. But we're trying to get you the content and thinking behind this, because it's the first time that this event was the first time I ever saw thought leaders able to have frank discussions without being publicly reported. And the way you talk among friends is a lot different than the way you talk publicly. And you are right, Brian, you know, the accounting today top 100 report is going to have a lot of the content on this impacted private equity in the large firms. And a lot of the growth, for example, with cherry Beckert and others that, you know, is public along the way. So the Eisner hampers in this Citroen, Cooper medicine, and so forth. But you know, the net here is I am frankly far more worried about public practice at the smaller and regional level, and the impacts there. And of course, we do have the ASCEND group that's trying to do a major roll up of small firms trying to build the top 20 firms. I mean, that's a stated goal that's public. So I don't think that's violating any confidence. And I've had a number of clients that have accepted the deal. And as I'm watching these exits, I am concerned for the client treatment, the team member treatment, and what happens that you know, five years from now, when the PE flip is desired, you know, to me, that's another big play in this. So what other observations out of the PE, VC comments, would you call out for our listeners?

Brian F. Tankersley, CPA.CITP, CGMA 04:14

I guess I would just say that, that there are many, many more deals happening. There are a lot of deals happening in the background that you may not see so well. And like

you mentioned, Randy, these roll ups are indeed happening. Allen actually

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of the partners in these firms have worked at the Big Four, you know, certainly during my time, in the, at that time, big, 630 years ago, it was pretty corporate, you know, it was pretty much you know, if you, if you will do what the what you're asked to do, you can stay and if not, here's the door. So it's a, it's a different environment that a lot of these firms have, and in particular, for the small firms, the cultural changes are going to be a big deal. Now, one of the things that seems to be seems to be attractive to folks is the wealth management side of things. So we actually had, we actually had a had a guy in the, in the room with us, that had that had some wealth management in his practice. And, you know, he said that he's, he's got people that are out there looking at buying CPA firms to have another service to make their wealth management more sticky, when times are bad. You know, and honestly, that's, that's been a concern for a while mine. You know, but but I think the, I think, in general, the cultural changes that are needed in small firms are going to be quite different than what PE necessarily is looking for. So I think from a competitive perspective, there's going to be some significant challenges here. Yeah.

Randy Johnston 06:34

And you know, the other two general things that I guess I'll throw against your comments, Brian, first, we know, there's going to be more transfer of wealth over the next decade than we've seen in any other time. So this wealth management practice where we're trying to get the, you know, current business owners and elderly people's holdings transferred to the next generation, that's a big deal at this point. And so there's a lot of activity around that, number one, and number two, it was reported in the first two months of this year, that there were more private equity deals done than in any other year. So what became a pretty cool market last year, the private equity funds have a lot of dry powder, and they are already executing it a deal at a pace greater than any other year. So you those, those stats, were pretty stunning to me, because I knew there were a lot of deals being made. And I knew a lot of deals were kind of put off. But I was really shocked to see the real numbers related to that.

And so just understand that your firm, and your clients are actually in the middle of a

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the same, yes, it's on the door, making me, you know, to discuss any other comments in the private equity presentations?

Brian F. Tankersley, CPA.CITP, CGMA 08:38

You know, I think I think we're still figuring out what the impacts are on the governance of these firms. But in general, the larger firms have already had a more corporate governance type approach. So you know, the real challenge is going to be to try to figure out how to how to make that work for folks, and how to how to go in and, and again, make those cultural shifts work as we roll up smaller firms into these larger firms. Because as you know, the culture in a small firm is quite different than the culture in a large firm. And the services and the client size are also quite different. So it's going to be interesting to see if these folks that are trying to roll up the small firms into mid size and then larger firms. It's going to be interesting to see how that all works out. Yeah.

Randy Johnston 09:25

And on the software side. In other episodes, we've talked about how the software development, customer support, and other items occur in software companies, when they're purchased, and how to fix the service levels. Occasionally for the better, but most of the time for the worse. And the you know, since so many of our tools are either done by the big public companies, the Wolters Kluwer is the intuit and Thomson Reuters in specific, or they're handled with venture cap capital money HD capital and Iris, you know, being a major player in the public practice space, I continue to watch all those transactions, because the ability for you to pick a non public or non venture capital private equity tool for a competitive advantage is becoming much, much slimmer. That, you know, I'm just thinking about accounting software, I only really know of a couple of players that, you know, are now in a position that they don't have to worry about these outside influences. Well, Brian, I

think that's probably actually, you know, not bad. Just in terms of that one section,

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reckless, telling people that oh, you can feed bank statement data into into chat GPT and have it give you back a CSV data. But the problem is, you're also revealing that bank statement to Chat GPT is model. And we've seen where they're actually scripts out, there were bad actors are employing it to get around the things to show you that so they can actually show you the raw data, that that was used to train some of these models, which is a pretty scary thing to think about. So what I, you know, so we had a lot of discussion about those about those models. I actually talked some about some of the stuff we talked about in the Zoho podcast about the about the narrow, and then the small, medium and large language models that we discussed in our podcast a few weeks back. You know, I, I think the, I think generally, that there is, there's a need for these tools that can clean up and simplify tax data. And we're starting to see them be able to ingest things like notes very well. For example, I've actually used otter in a number of meetings, and otter has gotten really good at summarizing the major points that were discussed, and who said, we've got the same thing in Microsoft, you know, the question is, what are we giving up when we do that? So it's a, it's an interesting time right now. And you we don't really see the big 800 pound gorilla is making investments that are practitioner facing now into it's making a whole lot of investments in their side, cch is talking about a lot of investments, and Thompson is talking about a lot of investments. But as a practical matter, we're not seeing that much that's coming out that's revolutionary at this point. It's really more evolutionary use of this, you know, things like things like going in and and, and using a us having better OCR and the tax allocation product that Thompson got from Crowe and others like that. Those are some of the major, major things I think that we talked about there.

Randy Johnston 13:24

Well, you know, knowing the AI appetite tight is huge. And just thinking about what the bigs are doing the Microsoft with their copilot strategies, and another attitude

that I've really adopted over the last 90 days, I would say is most of us will be using

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usually, the higher the security, the more I think that I give an idea who, you know, work in accounting, much more needed protections. Now, the other thing that I have been observing is the rapid expansion of these AI tools in areas like tax. We've already recorded a podcast on black or for example on the 1040 side, but you Now I'm noticing the products that are working in the business texts in the K 110 65, and other areas that are also becoming sophisticated very rapidly. So, you know, as our work continues, we'll see that, but we're also seeing it over in client accounting services. So a lot of the extraction tools where historically we might have had something like a bookkeeper that tried to do what I call fake AI at the time, you know, they were having, you know, people in the Philippines key data, while they were trying to work out their model, and they eventually got a model with the day I worked out, you know, they're promoting their AI recognition. But there are far more sophisticated models than even bookkeepers, recognition models. You and I both know that the, the makers hub.ai capability is pretty interesting, very heavy duty, a AI capabilities for cast purposes. And, you know, when I consider the incumbents, and it's hard to believe that we I would consider, you know, bill.com, or doc link, or AVID exchange incumbents in AP, they don't seem that old, it'd be like calling your teenager old. Maybe that goes with Leap Day, you know, I saw a nice little piece yesterday on a mother who had an eight year old son, and she also had her eighth birthday, but you can do the math on that and figure it out. And another one of my favorites this year was the 100 year old lady who was celebrating her 25th birthday. Both of those I respected a fair little bit. But the ability of these incumbents to be replaced by new generation AI tools is going to make a big difference. And so, you know, patients here is probably in order. One of the things that I'm very concerned about many consultants to the profession is you need to step in and start using this right away, and not having the rails around it. And you and I, in prior sessions have talked about the policies needed to get this done right. First.

Brian F. Tankersley, CPA.CITP, CGMA 17:20

Yeah, I would, I would completely agree with that. It's the policy piece is a really

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the short term, in their immediate term so it's increasing to 800 and and, you know, we had, we had a lot of discussion about the pipeline into the profession, and education and other things like that there was some discussion about the 100 150 hour rule as being a significantly limiting factor on the number of candidates that can come into the profession. But, you know, it's it's very clear that the accounting profession is going through a significant shift right now, through through a lot of a lot of changes, not just AI, but also with work life balance, you know, if there's no, if there's no potential to make partner and make a million dollars a year, because a lot of that money is being siphoned off and go into private equity, has suddenly now suddenly now becomes, you know, this, this idea that people are going to work 80 hours a week as a manager trying to make it is not so much. So, so again, we've got to worry about the work life balance in here. We're also seeing AI generation used a lot for news, and there's some discussion of AI based learning, where it would actually drill down in you would have a set of learning objectives you're trying to accomplish, then do some testing and then dynamically adjust the content that you received based on the based on the the specific needs and your confidence in in those things. So it was a pretty interesting, pretty interesting transition. We actually had a couple of practitioners that had done a significant amount of outsourcing. And they actually went through and talked about how they used it and some of the things they they worked through.

Randy Johnston 19:49

Now that's very interesting, Brian, because I think we do need to record a session on outsourcing for our listeners that you know, we've looked at hundreds without exaggeration. I think the last number I had was over 200, outsourcing groups, many of which I consider shysters in my local vernacular, not very reputable. There are some good people out there. Now on a related front, and I apologize for the little bit of overlap on this. But, you know, the AICPA has had an initiative with Sue Coffee and Betsy Krishna and, and others that are out there called the National Pipeline

advisory group. And that is about the talent. And they are currently running a survey,

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is a relatively new research product that you get a PDF, and it does summarize things, summarize things for you inside the PDF, it's doing a pretty doggone good job. Is it Elementary? Yes. Is it good enough for what you need to do? Yes. And in the PDFs that I've received and had summarized, I realized that, yes, I shall should still read the PDF, but 120 page PDF that summarize for me and has the hyperlinks in the summary and AI to get back to the core content, so I can see the real deal, that is saving me time, even though I know I may be missing things from the AI assistant. But the Adobe AI assistant is another one of those labor sabers that may help all of our practitioners, what you hear, then, you know, the three major topics of the P E, the AI, and the talent, any other key parting thoughts on the top thought leaders event, Brian, again, lots of very well respected consultants in the profession in attendance and knowledgeable people, I always learned something new,

Brian F. Tankersley, CPA.CITP, CGMA 22:37

or, you know, there's there, we did actually have an interesting discussion about actually having therapists and getting things right in between your ears. Because it was a, you know, there, there are a lot of changes happening in the profession, and in people's practices and in people's personal lives, and there's this huge wealth generation shift. And there's this industry shift. And it's a, it's a time where, you know, a lot of the thought leaders there that work with practitioners said specifically that they are seeing much higher levels of anxiety among practitioners and much higher levels of depression and, and other other challenges there. So, you know, and a lot of the thought leaders actually discussed their personal experiences with, with things like, you know, passing of parents and loss of loss of businesses and other things like that, and how, how therapist helped them out. And, you know, it may be, you know, that's one of the things that I think really emerges from this is that is that I think you've got to, you've got to take care of yourself first, before you take care of anybody else. And a lot of people out there post pandemic, with these higher levels of stress are getting stressed out. And so I think it's important to note that, you know,

we've seen a lot, I've seen a lot more people that need some therapy time than, you

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something? Yeah, that's

Randy Johnston 24:47

very interesting, because it's clear the last four years, eight years, 12 years, you know, the amount of stress in the profession has certainly increased, and it's a big deal. And at the risk of calm Back in a another thought on outsourcing. Again, try not disclose who was talking about the Philippine outsourcing. But I thought a very interesting statistical comment was that PwC currently has 2500 People outsourced in the Philippines and they intend to do another 5000. And there's just not enough people in the Philippines to that have accounting skills to do quality outsourcing at those type of numbers. So places where there's been success, like the Philippines, there is anticipation that there could be less. And that's true in lots of geographies around the country. Well, you know, we have so much fun that we almost always learn something from each other at these types of events. And you and I had the good pleasure over the last 90 days in being a lot of the same places. And we've talked about a lot of the events with our Zoho, or NetSuite, or top thought leader or ces experiences together. Any final thoughts here for today's session? Brian,

Brian F. Tankersley, CPA.CITP, CGMA 26:05

I think it's an interesting time in the profession and certainly their their issues with managing employees and their issues with managing client expectations and, you know, AI use for accounting and financial planning and other things like that. I would just mention to you though, that just remember that the bad guys now are getting much better with AI. The hackers these days are actually using AI to craft better and better and better phishing scams, the first of the phishing scams that make it through my my spam filter today, and there's one or two every day, every day. They're much better than they have been in the past. So I want you to know here

that, you know, again, just like their productivity gains on our side, their

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DRAFT: Finkelsky, CPA, CFP®, CGMA 27.10

Thank you for sharing your time with us. We'll be back next Saturday with a new episode of the technology lab, from CPA practice advisor. Have a great week.

END

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