

# Investing at the edge

## INTRODUCTION

Opportunity. That was the overriding premise at this year's [Digital CPA](#) conference, the leading event for technological innovation in the accounting profession. The most recent DCPA was a landmark gathering in many ways. It marked the 10th anniversary of a conference that brings together practitioners from all areas of the profession to gain new insights, learn about emerging trends and network; it also came at a time of tremendous change and reinvention. "In some ways, we have spent eight years preparing for what happened in March 2020," said Erik Asgeirsson, president and CEO of CPA.com during his DCPA keynote, referring to all that practitioners have taken away from past conferences and were able to put to work during the pandemic. "The Digital CPA community led the way."

During the past two years, CPAs have faced down the disruptions of the pandemic by navigating the shifting value creation opportunities for clients. Since the pandemic began, CPAs have had to reimagine how their people work, where they work and what services they offer. They have advised clients on how to address daunting challenges, providing insights and guidance on critical business relief. They strategized with them on adjusting their business models to the pandemic's new realities. We witnessed firms implementing technology solutions that made it possible for clients to adapt their work and business models to a remote environment. In the

midst of tremendous uncertainty, they helped clients survive and even benefit from a rapidly changing business

environment. "There was never a time that better defined what the trusted CPA role is all about," said Asgeirsson. The drivers of value extended beyond financial productivity and, as disruption intensified, firms responded.

For CPAs and their organizations this is really a time of transformation. Disruption is about upending existing practices. But that's just the first step. Transformation looks ahead so you can embrace and maximize what comes next. As DCPA made clear, it's about investing at the edge and driving your organization toward the future.



## EDGE vs. CORE

“We are a profession that constantly reinvents itself,” said Barry Melancon, CEO of the Association of International Certified Professional Accountants, which represents the combined strengths of the AICPA & CIMA, in his keynote remarks. The pandemic has inspired many to embrace the notion of reinvention. One key thing to remember is that the point of reinvention should not be to create a new version of what you already have. It should be to take what you have and use it to make it something new and unexpected.

That means looking past an organization’s safe center, the core, and focusing on the edge. Moving past the boundaries that your organization may have set for itself and investing your energies in defining and exploring that edge and finding out where it leads.

All companies have cores and edges. The core is the existing business, clients, products/services and revenue driving activity. It’s the company’s foundation, but it can also include hierarchies and processes that may be outdated and rigid. According to Pascal Finette, co-founder of [be radical](#),

their purpose is simply to keep the business running effectively, but they can slow it down and make it hard to maneuver, like a tanker or aircraft carrier. The edge is where innovation and opportunity live.

Company leaders are familiar with the core. It’s how they define their business. Fewer are acquainted—or even comfortable—with the edge. But there are compelling reasons to invest at the edge, because the edge encompasses the innovations that will push the business forward. It is the future of the firm.

Succeeding at the edge means being fully committed. Companies should assign dedicated teams to the edge. Innovation is a full-time job. Efforts will fail if the edge is a sideline that a team or employee takes on responsibility for during spare moments.

### What makes an edge team successful?

According to Finette, to answer that question, it is important to recognize that these two dynamics—the core and the edge—are diametrically opposed. The core is low risk and makes money; the edge, at least at the outset, is high risk and not profitable. The core is focused on productivity metrics while the edge creates value by gaining insights and experiences that can build a future business model. The core may put together large teams to solve problems, while the edge is composed of smaller groups that generate new problems to solve.

It is imperative that companies determine how these two opposing operations will work together, based on their unique needs. One challenge: Recruitment and compensation for those who build something new and untested will be completely different from existing practice. However, these concerns are worth overcoming, given the value that the edge can offer.

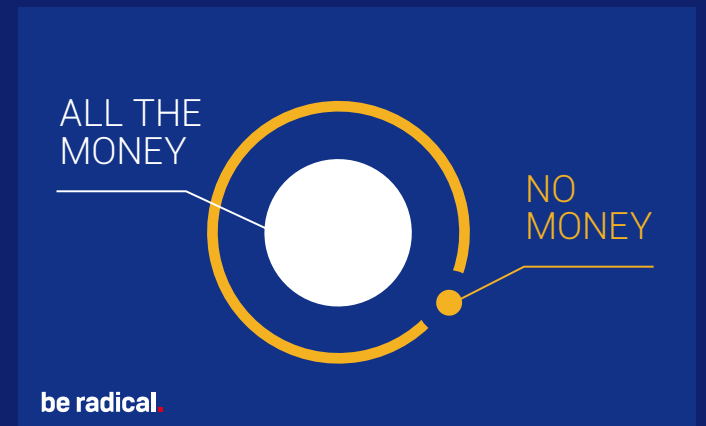
## BEST PRACTICES FROM LEADING EDGE INNOVATORS

Finette’s organization interviewed over 250 leading-edge innovators worldwide to understand what sets their companies apart. Their recommendations are not complicated, they’re just hard to do, he noted.

In addition to understanding the dynamics of the core vs. the edge, their best practices included:

- **Agile processes.** In a complex environment, dynamic organizations continuously pave a way forward so that it’s easier to navigate change. Amazon CEO Jeff Bezos has said that doing new things at high speed is the best defense against the future. In some cases, an organization’s technology may be agile, but other parts of the business are being run the same way they were 40 years ago. Agile processes make it easier to manage priorities, gain visibility into current developments and enhance alignment and productivity.
- **First principles.** Aristotle defined this as “the first basis from which a thing is known,” or its essential element. In accounting, that raises the question of what the client vs. customer actually wants, then determining what services or approaches actually address that need, which is at the core of client advisory services (CAS) practice.
- **Leadership.** Leaders must commit to the transformation journey. That’s true even though, with innovation, the destination is inherently unknown and the journey is continuous. In the past, an organization set a strategy and implemented it. In the new world, the road in front of you changes constantly.

Current leadership models don’t encompass taking the team into the unknown. When DCPA attendees were asked what leaders would have to unlearn to lead their people



into the unknown, answers included hierarchy, “same as last year” mentality, compliance mindset and billable hour goals.

Innovative leadership should be a departure from the old model, in which information flows downward and the strategy is set from the top. If an organization wants to follow first principles, it should rely on the people on the ground as the sensing mechanisms, the ones who can determine the best way to go next, based on their work with clients.

- **Upskilling.** To be successful, organizations will have to reskill their talent. There are two mistakes that organizations make in this area:
  - 1) They delegate the task to HR. In fact, understanding what your people know and what skills they will need should be a core competency of the leadership team.
  - 2) They believe that digital reskilling means having their staff attend short seminars or subscribe to online learning platforms. Instead, companies should see the upskilling process as pivotal to the ongoing transformation and innovation process. What you know determines who you are, Finette said.



## THE FUTURE OF WORK: SPECIALIZATION

**A**s technology continues to drive change, questions are often raised about whether it will make human jobs obsolete. There are reassuring answers to those questions, particularly for the profession.

It is true that many of the great inventions of the last two centuries were designed to replace human effort, according to MIT futurist David Autor. Innovations such as tractors, factory assembly lines and computers replaced a range of manual labor. However, over the last century or more, the fraction of adults working in the paid labor force has remained the same. Why hasn't automation made human skills redundant?

While technology has automated some jobs, it has augmented others and even driven the creation of new work, making some skills more valuable and multifaceted. Both automation and augmentation are happening simultaneously today. Automation replaces jobs while augmentation means using technology to handle rote processes so that professionals can expand and enhance what they do. Since 1940, technological innovations have had the most positive impact on professional, technical and managerial jobs and less on blue collar roles. In other words, the work of CPAs has become the locus of innovation. Technology can both augment and automate what CPAs do.

Where does new work come from exactly? There are three answers, according to Autor:

- **Insatiability:** Consumption expands at about same rate as incomes. As automation enhances people's wealth and opportunities, people consume more products and services, creating new work for others. In the CPA profession, a strong economy and investment climate have driven business and individual clients to seek more sophisticated CPA specializations and advisory services in addition to compliance service needs.
- **Complementarity:** Rather than replacing practitioners, the tools CPAs use can make them more valuable. Advanced diagnostic tools now perform instantly the tasks that would have taken more time and cost more money in the past. When looking at the medical profession, for instance, that advancement of technology can

expand the range of illnesses a doctor can diagnose and treat. In the CPA profession, automation allows firms to use their skills for higher-level services.

- **New work emerges:** Innovations and new technology don't only allow us to do old work more efficiently; it also creates new work. According to U.S. Census Bureau data, new titles in the fields of medicine include pharmacist technician, mammographer, diagnostic radiologist. In accounting, some timeless skills remain, such as understanding clients' businesses and their objectives. New tools, however, perform calculations, organize data and generate tables. That has led to new opportunities, such as CAS, which reflects how technology has created the need for more specialized services..

Another key fact about new work: to be highly paid, a skill must be scarce.

The majority of today's jobs were not invented 100 years ago, and we are currently inventing work that people will be doing in the future. Innovation is shifting to make people working remotely more productive; it is augmenting them. The economy is not running out of jobs, but whether you thrive in the labor market depends on whether you are in a job that is being automated or augmented.

## SAME BASE, NEW STATE

**H**ow does transformation work, exactly? Cutting-edge organizations understand that transformation is about changing from one state to another. Finette pointed to the way water can transform its state from a solid to a liquid or a gas. The underlying molecule doesn't change; it's still a form of water. And whether a firm is providing services using a pencil and paper or a spreadsheet or AI, the client's underlying need is always the same. The trick is to transform from an organization that produces the same services or deliverables that it always has into one that shape shifts as necessary to meet that underlying human need.

Blockbuster is a name that often comes up when people think about companies whose business models have become obsolete. Finette argued that Blockbuster's business was not actually media or entertainment, as one might think, but real estate. That was its value proposition: through its many locations, it gave consumers convenient access to entertainment. Then Netflix made a state change by delivering convenient access to entertainment through DVDs mailed to consumers. Aware that its mail order model would eventually become irrelevant, it continued to shape shift until it could deliver online streaming. It identified the consumer need and continually found new ways to meet it. That mindset continually put it ahead of the competition.

When consumer needs shift from one state to the next, an organization's existing skills and processes become irrelevant. A real estate company can't become a mail order company or an online streaming service overnight—if at all. This insight is troubling, but it also presents an opportunity for growth. It can motivate CPAs to reconsider what business they are in, or should be in. Is it the business of preparing tax returns or financial statements, or the business of offering clients strategic business advice? Financial peace of mind? How does the firm meet those needs? How will it be ready to meet evolving client needs when the next state change occurs? Firms should be on alert for state changes. If they can see them happening, they present tremendous opportunities and support sustainable relevance.

Skilled work can include a range of jobs, including tattoo artist, home mortgage disclosure specialist, and sommelier. Nonspecialized work, even if socially valuable—like crossing guard or daycare worker—will not pay well. **Within any profession, specialization is key to remaining relevant and developing new services.**

That is true in particular in the CPA profession. Transactional CPA services, such as bookkeeping, will continue to be automated, and jobs may be lost in that area. However, there will be expanding opportunities in higher-value advisory services that involve providing business insights and strategies for clients. In these services, technology will augment but not replace CPAs core abilities.

The perfect place to be is in a job where resources are abundant and getting cheaper, yet fewer people have your specialized skills. Today, that means being in the information sector. "There's a scarcity of people who can take data and turn it into useful information," Autor said. The challenge is to adapt ourselves, to gain skills that will be augmented rather than automated, and to invent a future we want to work in.

## CUSTOMER EXPERIENCE IS KEY

Given all the talk about disruption, it's important to recognize what is happening when we see a shift coming. Tesla was not disruptive because it sold an electric car, but because of the customer experience it offered, which was driven by technology, according to keynote remarks by George Blankenship, the man who birthed the Tesla storefronts. Customers could drop into a Tesla store at their local mall and design their car or order it online. Updates are delivered to the car digitally, eliminating the trip to the dealership. The goal was to allow people to engage with the company however and whenever they wanted to, he said.

Similarly, Apple was struggling for market share before it decided to re-imagine the customer experience. To avoid competing with other computers in tech stores, it opened its own stores in shopping malls. The results were long lines to purchase a laptop that sold out. The focus was on ways to keep the customer coming back: the genius bar, open tables with products, workshops and more.

The iPhone offers a valuable example for CPA firms. It was a breakthrough innovation, but it used tools, such as headphones and speakers, push buttons and cellular networks, that had been around for years, just not used for this purpose and together, Blankenship noted. Similarly, the iPod brought together disconnected elements, such as high-speed internet, the popularity of downloading files, and smaller and less expensive technology. Taking any business—including CPA firms—into the future is a matter of spotting existing disconnected elements, seeing the synergies and using technology to offer people something they don't have.

The process is a matter of identifying your skills, knowledge, relationships, specializations and other assets, then understanding what the clients really need. Next, imagine ways to use technology to help make your clients' lives easier and better. Do

something unexpected, Blankenship advised. Apple wasn't in the phone business, but it jumped in and took it over.

For the profession, the baseline is CPAs' relationships with their clients, a bond that has existed for 125 years, Melancon noted. With CAS, CPAs are taking services that accountants have long provided, but they are reinventing them using technology. "The skillset and the business acumen have always been there. Reimagining what that will look like in 5 or 10 years is what is key," he said.



## FINTECH: LEADING THE TECHNOLOGY EVOLUTION

During the early months of the pandemic, CPAs were swamped with requests from clients asking for assistance in applying and qualifying for the Small Business Administration (SBA's) Paycheck Protection Program (PPP) and other business relief programs. There was tremendous urgency, as clients struggled to keep their businesses afloat and get approval on their applications before government funds expired. At the same time, CPAs had to monitor updates to program rules, which were complicated and rapidly changing.

In the first round of PPP funding, 33-person firm Eco-Tax out of Brooklyn, NY, handled applications manually, which made the process especially difficult, said Tony Khait, CPA, PFS, CEO and president. During the second round, he was able to turn to the newly launched FinTech solution, the [CPA Business Funding Portal](#). This cloud-based financing platform was developed by the AICPA, CPA.com and leading FinTech lender Biz2Credit to support firms in helping clients secure government-backed business relief, such as PPP loans. The portal enabled firms to process and obtain around 40,000 PPP loans, securing over \$2.4 billion in business relief for their clients. With the portal, firms were able to streamline the application process, achieving significant time savings and freeing up staff to focus more on providing strategic business guidance to clients. "We could do three times the volume with clients not doing any of the work," Khait said. From the client side, the portal also enabled a simplified process, which was imperative during a time when business owners

needed to do everything possible to keep their doors open.

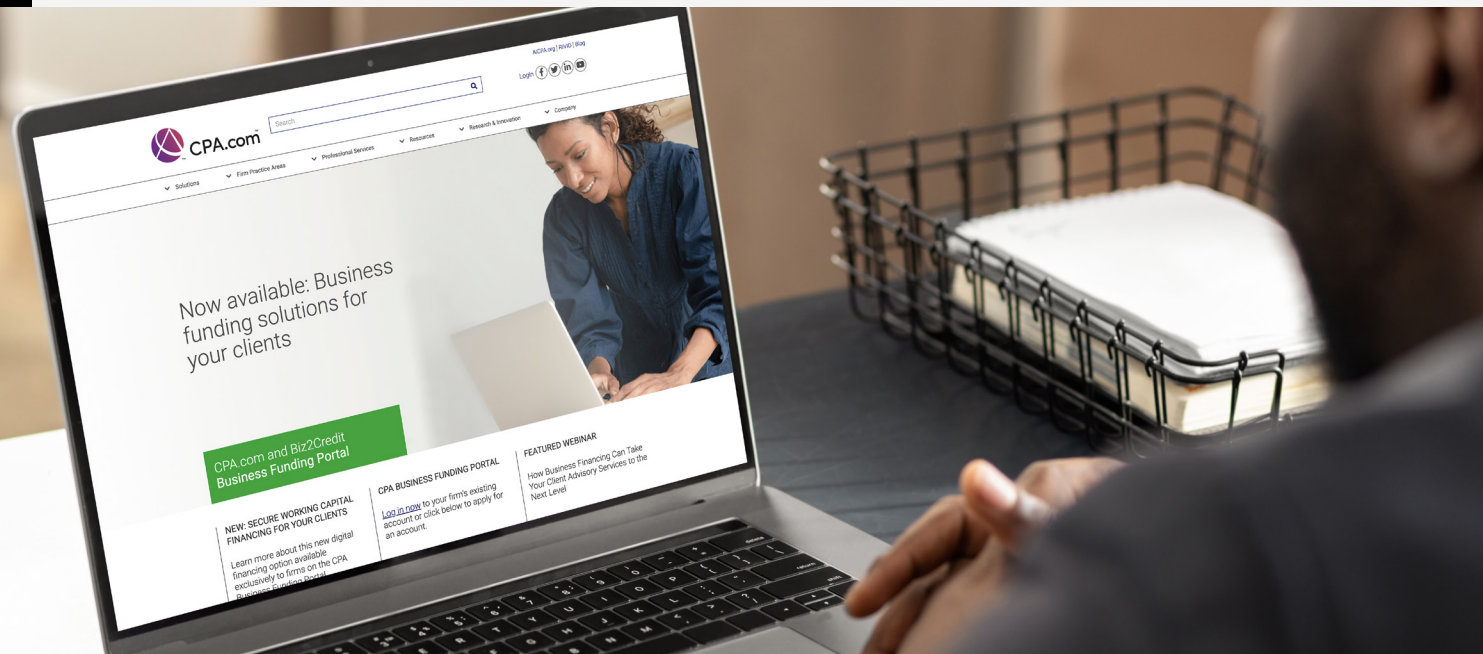
Within the technology ecosystem, there has been an evolution in the application of new tools and a quickening of the pace of change. Client comfort levels and expectations have changed significantly during the pandemic. Before COVID, many were still skeptical about going online, even to share data to apply for a loan, according to Rohit Arora, Biz2Credit CEO and co-founder. But PPP totally altered that mindset, with applications done online and no physical paperwork or branch visits. Now the formerly skeptical clients were not only ready to be fully digital, but they expected the best technology and user experience. CPA firms that can meet those expectations, and help clients navigate their own digital journeys, have a huge opportunity.

"Anyone involved in financial services now is part of FinTech," said Arora. Advising on and securing financing for clients will be far more than a sideline for CPAs. "It's not just one

sliver of opportunity," he said. "It's all-encompassing."

The [CPA Business Funding Portal](#) has since added a new term-loan and working capital offering to enhance CPAs' ability to act as trusted advisors. There are plans to add a commercial real estate loan option in the future. "CPAs are being asked to do more for their clients and need sophisticated tools to deliver these services efficiently and effectively," said Asgeirsson. The evolution of the CPA Business Funding Portal reflects this expanding role, as well as the profession's swift movement into business financing advisory services."

The portal is just one example of the range of new technologies that can transform and deepen client relationships. For example, CPA.com and Divvy have launched a [new spend management program](#) to support CPA firms in having strategic conversations with clients about what is happening across their entire business. The solution, which includes the Divvy corporate card and an integrated expense management software, delivers clients with real-time insights into company-wide spending. It automates processes so that organizations can more easily set budgets and allocate funds. Purchases made by employees using smartcards are categorized instantly, making expense reports and reim-



bursements unnecessary. The solution also curbs rampant out-of-policy spending as organization have the ability to set controls. For many clients, “these solutions will be a game changer,” said Elinor Litwack, CPA, partner, outsourced accounting and advisory services, GRF CPAs and Advisors in New York, and chair of the 2022 DCPA Advisory Committee.

In addition, bookkeeping service providers such as Pilot, Bench and in Dinero digitize and augment traditional tasks. They combine an integrated platform with an available workforce, which is often offshore. These types of companies are expected to have a rising impact in the market—Pilot alone has been valued at \$1.2 billion. Integrated finance, including digital smartcards, handle accounting and payments through digital banks. Companies in this space include not only Divvy and Biz2Credit, but also Brex, Tide, Countingup, Revolut and Expensify. Commerce solutions that offer industry-specific digital oper-

ations and e-commerce platforms include Shopify, Square, Stripe, Toast and many more.

Meanwhile, the role of blockchain is expected to expand over the next two to three years, according to Arora. More specifically, the global FinTech blockchain market is projected to grow by \$9.34 billion between 2021 and 2025, with a 63% compound annual growth rate during the period, according to [ResearchAndMarkets.com](https://www.researchandmarkets.com) data. “The business imperative of adopting blockchain and digital assets is growing noticeably, as organizations increasingly accept that their current business models are at stake,” according to the Deloitte’s most recent global blockchain survey. And in a sign of the pervasive use of cryptocurrency, the IRS requires reporting of virtual currency transactions.

These innovations will help CPAs enhance and demonstrate their value. “Technology solutions are one of the four pillars of CAS,” Litwack noted.

“To provide clients with the tools and experiences they expect will require being willing to test drive new solutions in order to remain agile and innovative.”

Going forward, changes in the technology ecosystem will challenge CPAs to exercise their creativity. Especially for early adopters, there will be glitches in platforms and processes. New releases will be cloud based, with tech companies rolling out products immediately without testing multiple versions. “You will be part of the technology,” Arora said, “with users offering the feedback that improves the product.” Organizations will have to be able to bypass internal bureaucracy and legacy concerns to seize the newest innovation and reap the benefits for themselves and their clients. Technological agility will also be a tremendous advantage in recruitment and retention, as workers seek out companies that are forward looking and technology driven.

## MOVING TO CAS 2.0

The transformative edge for CPA firms is client advisory services (CAS). In CAS practices, CPAs provide strategic business advice that clients can use in a wide range of financial and accounting related decisions. Building on the foundation of traditional services, CAS can deepen client relationships and truly establish the CPA’s role as trusted advisor. CAS practices leverage technology and processes to offer more timely and valuable business insights. It is defined by a holistic approach to delivering digital transformation and business insights. The services involved may range from outsourced accounting to virtual CFO services.

The CAS transformation happens at many different levels, from client expectations to client services and relationships. In the past, for example, clients might have seen a tax return as a product that their CPAs offered; Today, particularly with younger generations it’s seen as a byproduct of a larger set of life planning services noted Melancon. The next generation of clients see it as a byproduct of their relationship with the firm. “That subtle change is a major factor in reconsidering how to refresh and rethink about client relationships,” he said.

Many firms were probably not even aware that they were turning into CAS practices during the pandemic, offering strategic advice on business relief, business model adjustments, the remote workforce environment and new business models and opportunities. The pandemic propelled them into functioning as CAS practices because of unexpected and compelling client needs. The end of business relief assistance shouldn’t shutter this advisory role though; rather it will

catapult the opportunity and build a new mindset as to the client: firm relationship.

The number of CAS practices had already been on the rise in all firm size

segments. CAS is enabling firms to offer highly valued services and to experience significant growth. It is also spurring a significant transformation in the finance space, as firms begin to provide many of the services in this function, including forecasting and budgeting.

The results have been impressive. In CPA.com’s most recent CAS Benchmark Survey, CAS practices reported median net client fee growth of 20%. CAS practices also saw robust profits. The median overall profit margins in the Benchmark Survey were 34%

## The Cornerstones of a Top Performing CAS Practice



### CAS Firm Strategy & Governance

Strategic planning and organization development to align with your overall firm and CAS practice vision



### CAS Practice Development

Access to best-in-class workshops, tools and resources to build and grow a top performing CAS practice



### CAS Technology Solutions

Integrated, cloud-based tools to digitally transform and modernize your practice



### CAS Center of Excellence

Build standardized processes, support, leadership and training to drive growth and profitability



(47% for top performers), compared with 28% to 34% in benchmarking surveys for all firm services.

Now is the time to be intentional about a shift to this practice area. Growth has been so strong and CAS has evolved so quickly that it is expected to make the leap to what Asgeirsson introduced in his keynote as **CAS 2.0** – a holistic approach to delivering next-level advisory services by focusing on four key pillars of CAS.

CPA.com is introducing new tools and learning opportunities to help firms fully realize the CAS opportunity and move on to the next generation of advisory.

## The Four Pillars of CAS 2.0

CPA.com's CAS 2.0 framework includes **four pillars or cornerstones**:

- Strategy & Governance
- Practice Development
- Technology
- Center of Excellence

## Megatrends: Gartner Hype Cycle 2022

Each year, the research firm Gartner creates dozens of hype cycles that depict the progression of a five-phase lifecycle for emerging technologies. (It is important to note that not all technologies survive the entire process.)

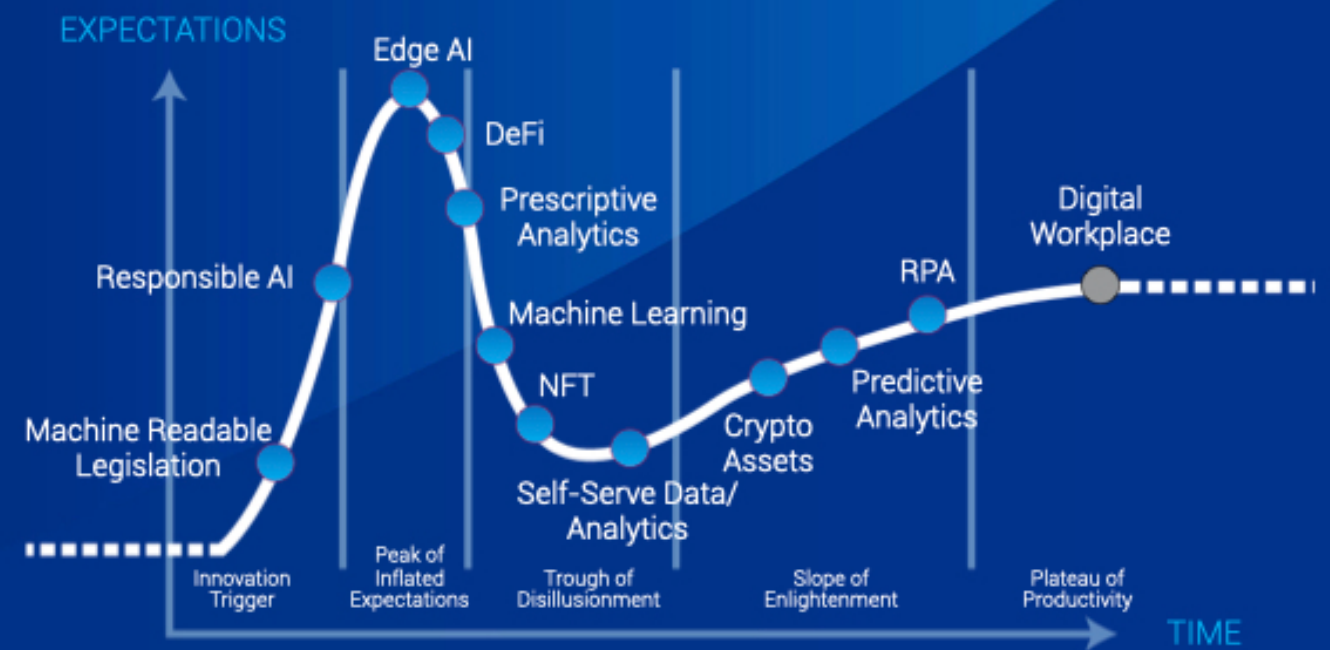
Using the Gartner model, CPA.com releases its own annual version of the hype cycle customized for the accounting profession. It illustrates where innovations relevant to the profession are situated in maturity and their potential impact on the accounting and finance role.

### The phases of the lifecycle are:

1. **Innovation trigger:** An exciting new technology emerges, gaining interest from the media and potential users.
2. **Peak of inflated expectations:** Overblown early projections of the technology's value and new but untested applications lead to unrealistic timelines and expectations.
3. **Trough of disillusionment:** Excitement and interest fade when the new technology fails to meet the initial over-hyped and unrealistic expectations.
4. **Slope of enlightenment:** Even as attention shifts away from the technology, providers continue to experiment with new use cases and strengthen existing ones. Second and third generation products improve on the initial version.
5. **Plateau of productivity:** Mainstream adoption begins.

In the 2022 Accounting Profession Technology Megatrends, the digital workplace, at the plateau of productivity, is achieving mainstream adoption. Robotic process automation, predictive analytics and crypto assets are moving

## 2022 Accounting Profession Technology Megatrends



Source: 2022 CPA.com Identified Megatrends Plotted on the Gartner Hype Cycle Framework

through the slope of enlightenment and appear headed toward wider adoption. Self-serve data/analytics, although at a low, seems potentially poised to move ahead. This year's framework encompasses "edge" computing, which is different from the use of the word in "investing at the edge" above. **IBM defines** edge computing as "a distributed computing framework that brings enterprise applications closer to data sources such as the Internet of Things: devices or local edge servers. This proximity to data at its source can deliver strong business benefits, including fast-

er insights, improved response times and better bandwidth availability."

**The cycle underscores the importance of monitoring emerging technologies as they progress toward greater acceptance. It's another key element of investing at the edge to maximize opportunities by identifying trends and preparing for them before they become mainstream.**

## THE PROFESSION MOVING FORWARD

Overall, DCPA illustrated the profession's role in innovation and changing client service models. "What we have been doing in the last decade has cemented the role of the profession in the marketplace, particularly with small and medium size businesses," Melancon said. "The profession is unbelievably well positioned to be a key trusted adviser for their clients."

One key takeaway: the profession's need to continue to evolve. "If we choose not to embrace technology and changes in service expectation, then other people will have an impact on our footprint in that environment," according to Melancon.

Along with CAS, another significant transformation is occurring in audit. AICPA and CPA.com have partnered with global audit and analytics software developer CaseWare International to create the [Dynamic Audit Solution \(DAS\)](#) to reinvent this practice area. DAS incorporates solutions in big data, AI and machine learning to drive efficiency, quality and value for firms and their clients. The baseline goal is to create a new approach to audit as if none had already been invented.

The future of finance is also a key area for the profession, one that re-

lates to CAS. There is a dramatic need to transform the finance function to make better use of digital tools and enhance efficiency. However, many organizations lack the resources to make that leap or it isn't a current priority. "There is a huge opportunity for those in public practice to build an advisory relationship with finance teams and provide the services they need to transform," Asgeirsson said.

In addition to service areas, people have also become a critical consider-

ation for the profession. Addressing that problem will require recognizing the value of the "t-shaped professional," someone with a wide set of business acumen skills and one or two focused technical skills. To respond to evolving human capital needs, the profession has embarked on a CPA Evolution initiative, which reimagines the exam to better foster the growth of that t-shaped professional.

"We are at a critical inflection point given the huge technology adoption that has happened over the last two years," Asgeirsson said. The task now is for firms to design an internal strategy based not on what's been done before, but on what's possible going forward.

According to a Forrester report, "Where will innovation come from? People. Your people. Leading firms will use emerging technology to unlock the creativity of their employees and drive innovation that focuses on outcomes, not just financial results."

