

# Online Virtual e@ccounting<sup>TM</sup>

## IMPLICATIONS OF THE INTERNET FOR ACCOUNTING

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Members of the accounting community who want to succeed must walk a fine line between stability and change along the brink of chaos. Many accountants shy away from that brink and so are uncomfortable with regard to today's complex environment, where change is rapid and success uncertain. Accountants must accept the paradox that the only thing permanent in business is *change*.

To achieve success, an accountant or professional accounting services firm depends on adaptive skills in three areas:

1. An adaptive accountant or firm understands its competitive space, or landscape, and is capable of measuring that landscape's ruggedness, its risks and opportunities.
2. An adaptive accounting organization is, at heart, a learning organization, one that stays in touch with clients and rewards innovation.
3. The leadership of an adaptive organization not only welcomes change but nurtures it.

An organization with such attributes will be able to embrace change and function effectively in our frightening, yet exhilarating, economy. The Internet economy requires constant work to shape an environment where change is always possible and usually occurring. It is an environment finely balanced between surprise and order. The Internet has the potential to transform the profession—not merely augment or refine business practices, but lead the industry in entirely new directions.

Accounting is the language of business but information is the currency. Manufacturers, distributors, retailers, and all other accounting services clients that excel at sharing information—about customer demand, inventory, shipments, even defects—stand to be the lowest-cost, highest-profit suppliers. The financial brokers and analysts with the fastest access to the most complete market and company information will make the most money. Transportation, logistics, and other service companies that can create bonds with their customers by linking them directly to their information systems are the most likely to be serving those same customers a decade from now.

In the end, the accountants who are the most efficient financial information handlers, processors, and manipulators will be the ones that come out on top. It's an easy enough concept to comprehend. Embracing and implementing it is far more difficult. The Internet may reinvent the marketplace through the ways computer and electronics providers do business, but it doesn't reinvent the businesses themselves. Accounting professionals must start thinking how to apply the Internet outside their traditional organizational or professional boundaries. Your competitors aren't sitting still. They can't afford to. Neither can you. What Internet risks are your firm taking? Are you competing against types of competitors that didn't exist or that you never dreamed of facing five years ago? Exhibit 1.1 describes the leadership attributes necessary to develop an adaptive management style.

### **ACCOUNTANTS' PRIMARY ISSUES**

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A massive restructuring and reordering of the accounting business is under way. The days of your parents' independent CPA firm handling only tax and audit work are almost gone. Changing the good old days' way of doing business has been a primary issue for tax and audit professionals.

In retrospect, the good old days of accounting, with manual spreadsheets and key-punched data entry cards, were not that good for those of us who detest tedium and can't type. Has it really been only 10 years ago that the operating system of choice was an eight-column pad in easy-on-the-eye pale green? Affordable computers and easy-to-use software have emancipated us from the drudgery of repetitive work in which many of us were mired for years. Computers have become fully integrated into our work and leisure lifestyles.

## ADAPTIVE STYLE LEADERSHIP ATTRIBUTES

Build and manage a network of personal relationships.

- Ask
- Encourage
- Cajole
- Praise
- Reward
- Demand
- Motivate

Study the landscape.

- What are the developments, patterns, and trends among competitors (both current and potential)?
- What about customers? Or suppliers?
- Constantly ask "What if"?
- Get constant exposure to insiders and outsiders who can help improve your understanding of the landscape.

Set high expectations.

- Replace detailed agendas with broad goals or targets.
- If you know how to get there, it's not a stretch goal.
- It is essential for you to believe the goals are attainable.

Let go.

- Managing partners must set goals, then get out of the way.
- The management role is one of providing associates with whatever is needed to serve the clients.

Be available.

- Be available to help others, especially clients and staff.
- Ask questions and share information.
- Listen to others and let them know how to reach you when they need help.

*(Continues)*

**Exhibit 1.1** Checklist of Leadership Attributes

Choose the measures on which to focus.

- What you can measure you can manage.
- Be wary of measuring everything and understanding nothing.
- The three most important things you need to measure in an accounting business are client satisfaction, staff satisfaction, and cash flow.

Communicate a direction.

- Describe the business direction and goals clearly to interested parties, both internal and external to the firm.
- The more forums management can hold, the better.
- Clients and staff come and go, people forget, and circumstances change. If the direction is not communicated clearly and often, people in the firm will get lost in fairly short order.

Be decisive.

- Debate and study must lead to action.
- The three things you have to remember in battle: shoot, move, and communicate.
- Survival begins with action.
- Decisions have to be made before things start to happen.
- One never has all the information one would like to have.

Act with urgency and energy.

- You can't do it fast enough.
- Work on the razor's edge.
- If you can't energize others, you can't be a leader.

#### **Exhibit 1.1** *(Continued)*

This latest generation of accounting professionals can't fathom the time we previously spent manually footing, cross-footing, and accounting for historical transactions to prepare financial forecasts, multi-year cost-benefit analyses, and other prospective planning and decision-making tools. The computer, and now the Internet, have propelled the profession from the arcane and mundane to the advisory, valuably proactive, and infinitely more profitable.

The accounting profession has been keeping pace with the attitudes and work styles resulting from the increasing use of technology and the dramatic changes in the economy. The path for the future has torn away a dependence on the older perceptions of the profession in the same way Excel and Lotus eliminated our need for 13-column pads.

## **STAFFING STRATEGIES AND ISSUES**

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Small and large accounting firms are being forced to adapt and be creative in dealing with today's staffing shortages. Developing existing personnel, working with local school districts, and offering higher than competitive salaries are some of the strategies these firms use to attract people in a technology field where talent is in particularly short supply. The shortage of qualified staff has forced some accounting firms to rein in their growth, rather than spread limited staff too thin by taking all the available engagements.

It is highly improbable that you will find the perfect candidate, with a mixture of financial, management, and technical skills, short of cloning yourself. Many firms are looking within to develop the talent they require through in-house training programs. A technical background is very important, but management skills, along with loyalty and reliability, are far more important than a perfect technical match. Some accounting firms put their newly hired consultants on a formal training track to fill any gaps in their backgrounds and to help them develop a specialty.

The training approach is an effective way for professionals to immerse themselves without becoming overwhelmed. With the shortage of qualified technology professionals, it would be counterproductive to lose a skilled business consultant because of poor training. Teaching Internet technical skills produces mixed results. No matter how good the training, some CPAs are just not cut out for Internet technology consulting. Not everyone has the personality to deal with the range of issues and problems found in the field. The solution is to continue to look for qualified people and develop the existing staff.

Accounting firms are continuing to see increasing value in offering flexible work options and innovative compensation packages to attract and retain the best staffs. Job flexibility, generous pay based on performance, and promotions from within the firm are among the favored tactics. Sometimes it's the little things that matter most, like a compli-

- Developing talent from within
- Offering flexible work arrangements
- Offering higher pay
- Networking with local schools and colleges
- Restricting growth

**Exhibit 1.2** Staffing Strategies

mentary refreshment area, a freshly ground coffee or cappuccino machine, and fresh flowers in the offices. Exhibit 1.2 summarizes staffing strategies.

## **TECHNOLOGY VENDORS' ISSUES**

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The technology services segment of the accounting industry confronts the same daunting, dual challenges of keeping up with the fast-changing software systems that are at the core of their businesses, and, at the same time, redefining exactly what their businesses are. Accountants agree that keeping pace with all the new tools that technology vendors are producing and helping clients put those tools to their full use represent the biggest obstacles facing accounting software resellers and consultants serving the small to medium-sized market.

Industry leaders have noted that their most prominent concern is to redefine their companies' missions in the face of today's new landscape. Technology and accountant client demands are both increasing at quantum speed. Accounting technology has expanded beyond just financials. Accounting technology providers are challenged to define who they are, separate from their competition.

The vendors have migrated from accounting software to enterprise resource planning systems—which integrate accounting with distribution, manufacturing, electronic commerce, and other applications—all too quickly for some end users in the middle market. Service firms must be able to educate clients on what these broader enterprise systems mean—a task that can include getting clients to view their organization differently—and automate systems that have been managed manually.

The changes are also occurring too quickly for the accountants as well as their vendor partners. As soon as a system is installed at a client

site, it's already out of style because it's no longer the latest and greatest although it is fully functional. Most important is the ability to make the connection between the business processes of a client and marketplace dynamics — using technology to improve the business as a whole, rather than just automating basic accounting functions. The goal that remains steadfast throughout all of the changes is that of redefining the products and services that are provided to clients in order to help them better manage and grow their businesses.

Staying in the forefront of an Internet compliant practice includes making employee training and ongoing education a top priority. Many firms are partnering with software developers to provide the increasingly complex e-commerce solutions that are demanded by their clients. Accounting firms are increasing the initiative to form strategic alliances with complementary providers of needed expertise. Since e-commerce is fast becoming a major component of all accounting system installations, accounting firms are opting to solve the technology issues inherent in e-commerce by partnering and sometime acquiring the needed technical expertise. Exhibit 1.3 is a chart of technology vendors' concerns.

**First Law of Adapting:** As soon as you start doing what you always wanted to be doing, you'll want to be doing something else.

The core values and core competencies defined for the profession through the Vision Project of the AICPA are being seriously challenged by new and largely unforeseen forces in the marketplace. The challenge to the accountant's role as the primary valued business advisor of choice is being mounted by entrepreneurs who are placing more and more empha-

- Keeping pace with new technologies
- Expanding the depth of their products and services
- Migrating to enterprise planning systems
- Becoming application software providers (ASPs)
- Keeping up with professional accountants

**Exhibit 1.3** Technology Vendor's Concerns

- Accounting software/systems
- Electronic commerce
- Client/server
- Manufacturing
- Payroll
- EDI (Electronic Data Interchange)
- Internet/intranet
- LANs/WANs/networking
- Human resources
- Enterprise resource planning (ERP)
- Computer hardware/peripherals
- Systems management
- Data warehousing
- Mobile computing
- Telephony
- Unix

Listed in order of increase in business

Source: The Accounting Guild, Las Vegas, Nevada, *Trendsetter Study*, 2000

### **Exhibit 1.4** Accounting Professional Growth Areas

sis on the use of technology at the expense of providing less and less emphasis on the prudent analysis and counsel of the intelligence provided by the technology. Exhibit 1.4 lists accounting professional growth areas.

Accountants are being buffeted by an onslaught of challenges centered on identifying new ways to add value to client relationships and to generate new revenue as traditional functions become commodity functions and relationships become less personal. Industry vendors of accounting services and products are steadily enhancing their material content and are developing Internet tools that have revolutionized how that information is gathered, prepared, and distributed to the accountant marketplace.

## **ACCOUNTING CLIENT CONCERNS**

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Taking advantage of technology, profiting from electronic commerce, and competing in the global marketplace are the biggest challenges fac-



ing small and medium-sized business clients. Managing advances in technology is the main concern now confronting business clients. Technology in general and the Internet in particular have changed the face of competition from a local to a global concern.

The biggest challenges these business clients face is adapting and responding to the rapidly changing technology landscape. The questions that keep business owners awake at night are, “Who is my competition?” and “How do I compete against people who are not even in the same locale?” Many small to mid-sized clients in the past had a lot fewer competitors.

Professional accountants are also concerned about how quickly their clients are embracing the Internet to transact business. If their clients move too slowly, they may lose out to competitors located hundreds or thousands of miles away. If they react too late, they may have difficulty catching up with their competitors and potential customers. Exhibit 1.5 lists accounting client concerns.

## CHANGING MARKET CONDITIONS

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Newer and possibly more innovative services have been battering the gates of a once staid profession. Many accounting services are being “commoditized” by consolidators, who are less concerned about client relationships and instead develop an end-user business approach that is standardized like computer operating systems. The unconsolidated firms must provide more value to compete with the large organizations.

Internet accounting service start-ups are working diligently to steal the traditional small business accounting clients by eliminating the personal services of the accounting professional. Other virtual online

- Keeping up with and understanding technology
- Internet capability
- Capital
- Staffing
- Outsourcing
- Developing alliances

**Exhibit 1.5** Accounting Client Concerns

accounting services, acknowledging the marketplace value of the accountant, are designing outreach campaigns to enlist accountants into acting as resellers, co-branders, or recommenders. Some combine marketability and motives and offer hybrid programs that will add to the turmoil. Accounting practitioners can fight or join, but will not have the opportunity of ignoring, the new market dynamics.

Becoming expert in an ever-increasing and broader array of accounting and related services that clients require is one of the surest ways for CPAs to provide added value. The accounting profession must focus on helping small business owners run their companies more efficiently and profitably rather than on simply providing compliance services. The supplier component of the accounting industry is responding to the challenges by offering CPAs, who use and resell its products, a meaningful business-building arsenal of courses and tools, new product and service opportunities, and relevant strategies for growth and increased profits.

Among the accountants' greatest allies are the technology services that are becoming increasingly available. Conversely, the greatest drawback is the endemic procrastination to adapt to change. CPAs need to sell and support, or at a minimum recommend (since selling seems to be such an anathema of the profession), packaged or online software to their accounting clients.

**Fox's Law of Technology:** Any technical problem can be overcome given enough time and money.

**Corollary:** You never are given enough time or money.

## FINANCIAL PLANNING INTERNET MARKET IMPLICATIONS

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Financial planning is the service area that most concerns those in the accounting profession. Some accountants maintain that the very survival of the profession relies upon the acceptance of the all-in-one tax preparer/financial planner as a viable entity.

Vendors of financial planning products and services have long identified the accounting profession as its most-likely-to-succeed market-

ing channel. They claim that financial services will prove to be the CPA's best ticket to success. Indeed, with the enactment of regulations permitting CPAs to accept commissions, financial planning has become a much larger part of the industry and financial planning software a significant segment of the accounting market. Accountants are streaming into financial planning, drawn by the surge of baby boomers approaching retirement and seeking financial consulting assistance.

Practitioners should be prepared to offer clients the nontraditional services that the market is demanding. Adapting to the technologies that are required to increase efficiencies will allow the accountants to brace themselves for the challenges that may result from the ever-changing regulation of the industry.

CPAs place a high value on client relationships. They must strengthen these by expanding upon their consultative role and improving their use of available technology. Accountants seeking to survive and thrive in these turbulent times must, above all else, be prepared to adapt to change. The paramount issue facing the accounting business is change — change in the form of market demands, regulation, technology, and the Internet.

The Internet and other technologies mean that the ways CPAs interact with clients is radically changing to a new platform. The scope and speed of change is altering how the public interacts and communicates with the tax, accounting, and consulting professional. New knowledge is necessary and new tools are required by all practitioners in the field, regardless of practice size, focus, or ownership. Practitioners must reevaluate their entire approach to business. In order for CPAs to be the professionals businesses continue to turn to for leadership, they must reinvent how they think and how they work. Today's pace of change is forcing the profession to become more agile than ever before. Accountants have to develop and maintain more finely tuned systems in order to respond quickly and intelligently to change.

Often, the more that things change, the more they stay the same — even for accountants. Amid all the change and the carnage, CPAs still must be concerned with maintaining the hard-earned respect of the public that has long been an industry hallmark. Yet, CPAs must understand that they cannot be all things to all people. Although they must continue to acquire and enhance their consulting skills and value-added services, the accounting profession must be vigilant to guard their independence, integrity, and objectivity.

## **ACCOUNTING-RELATED INTERNET NEWCOMERS**

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Some of the new Web start-ups have been extremely aggressive about launching into accounting services and are looking for CPAs and other accounting professionals to become partners. Accounting services are not the only verticals wooing the accountants and their trusting smaller business clients. Purchasing services and savings are touted by officedepot.com, onvia.com, staples.com, and works.com — to name but a few of the better-known vendors.

Another category of newcomer to the small business marketplace may best be categorized, at least for now, as small business portal. These new entrants are not much more than online magazines, or e-zines in the virtual vernacular. They include allbusiness.com, bcentral.com, bigstep.com, digitalwork.com, eCongo.com, hotoffice.com, office.com, and cpavenue.com. In addition to promised lower prices, a few offer extras such as business planning tools and libraries of legal and other forms.

At the higher end are such specialists as agillion.com offering customer management, adp.com and employease.com with payroll and benefits, and Bizfinity.com in e-commerce systems. What almost all these entrepreneurial accounting services ventures have in common is that they have appropriated the strategies and technologies developed by companies such as America Online and amazon.com. Their primary strategy is to seize customers without regard for costs and hope that profits will follow. Although the stock market at times appears to reward this profitless prosperity, one cannot help but remember the California gold rush when the only ones to make a profit were the purveyors of tools and work clothes. Accountants, consultants, and the manufacturers and resellers of Internet equipment and knowledge should profit immensely by delivering the necessities.

The small business market casts a siren's spell with the tantalizing prospect of providing needed services to the nation's approximately 23 million small businesses. To make matters even more irresistible, more than three million new businesses are launched every year, 800,000 of whom have employees. Often overlooked is the sorrowful fact that about 80 percent of these new businesses will cease operations within five years. This phenomenon has not escaped those professionals who profit as the undertakers of lost ventures. A market niche specializing in the accounting needs of the unsuccessful is a consistent revenue pro-

ducer, by providing creditors' accounting, bankruptcy filings, and final corporate tax returns.

Quick calculations reveal that start-ups account for about 15 percent of the existing small business base, a 2 percent net growth each year. Waiting in the wings are a little over 8 percent of the United States' adult population (or approximately 16 million people) who are trying to start their own businesses. One third of this group are women.

The many challenges confronting the accounting industry represent a major opportunity of watershed proportions for accountants to develop relationships with software vendors that will enable both to succeed. The major challenge is one of redefining roles in a time of unparalleled growth. This is compounded by the reality of consolidation, small businesses' need to obtain much needed additional services from their "trusted advisor" CPAs, and the perils inherent in expanding into nontraditional service areas.

Electronic commerce is turning the business world on its ear while the accounting community ambivalently embraces and resists the change. While pondering the enormous possibilities that the Internet is offering, they evaluate a business world with virtually no limits to business growth. Whether the accounting profession is ready or not, the Internet is here to stay. Exhibit 1.6 lists technology solution providers who may augment areas of expertise.

#### TECHNOLOGY SOLUTION PROVIDERS

The following solution providers are recognized as trendsetters. The information is provided as a list for further investigation and market research. No inference is intended as to references regarding ability or any other criteria.

- **ABS Solutions, Schaumburg, IL**  
<http://www.absusa.com>
- **Affinity Technology Group, Hoffman Estates, IL**  
<http://www.affinitytechgroup.com>
- **AKA Computer Consulting, Staten Island, NY**  
<http://www.akaconsulting.com>
- **AmEx Tax and Business Services, Rolling Meadows, IL**  
<http://www.americanexpress.com>

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**Exhibit 1.6** Trendsetting Accounting Solution Providers

- **Anderson ZurMuehlen & Co., Helena, MO**  
<http://www.azworld.com>
- **Brunswick Integrated Computer Solutions, Akron, OH**  
<http://www.bicsoft.com>
- **Burch Group, Houston, TX**  
<http://www.burchgroup.com>
- **Business Management International, New York, NY**  
<http://www.bmiusa.com>
- **Catalyst Software Evaluation Centers, Dallas, TX**  
<http://www.catalysteval.com>
- **Charon Systems, Toronto, Canada**  
<http://www.charon.com>
- **Client Server Solutions, Atlanta, GA**  
<http://www.css-sql.com>
- **Computer Counselors, Indianapolis, IN**  
<http://www.computercounselors.com>
- **CRM Solutions, North Canton, OH**  
<http://www.crmsys.com>
- **Desmond & Ahern, Chicago, IL**  
<http://www.desmond-ahern.com>
- **Kerr Consulting and Support, Fort Dodge, IA**  
<http://www.kerr-consulting.com>
- **Kissinger Associates, Centerport, PA**  
<http://www.kissingerassoc.com>
- **Murdock & Associates, Santa Clara, CA**  
<http://www.murdocknet.com>
- **Olive, Indianapolis, IN**  
<http://www.olivellp.com>
- **Plus Computer Solutions, Coquitlan, B.C., Canada**  
<http://www.plus.ca>
- **SA Consulting, Miami, FL**  
<http://www.sacg.com>
- **Second Foundation, Waterloo, Canada**  
<http://www.second-foundation.com>
- **Select Systems, San Mateo, CA**  
<http://www.select-systems.com>
- **Silverware, Phoenix, AZ**  
<http://www.silverw.com>
- **Soltech Group, Charlottesville, VA**  
<http://www.soltechgroup.com>
- **Stanley Stuart Yoffee & Hendrix, Maitland, FL**  
<http://www.ssyh.com>
- **Toback Technology Group, Phoenix, AZ**  
<http://www.tobacktech.com>