



Accounting Insights Report.

Identifying the skills to develop future-fit firms



About the CommBank Accounting Insights Report

The findings in this edition of the Accounting Insights Report for Professional Services are based on a wide-ranging quantitative survey of 414 business owners, decision-makers and managers from Professional Services firms and 208 employees conducted on behalf of the Commonwealth Bank by ACA Research between September and October 2018. The specific references to accounting as a sub-sector within the Professional Services industry are based on responses from decision-makers within 67 accounting firms. Participants were drawn from Professional Services firms across Australia with an annual turnover of more than \$500,000 and at least two employees.

The results represented throughout the report also seek to compare the perspectives of business owners, decision-makers and managers within accounting firms with those of employees across the Professional Services sector more broadly.

All references in the text, tables and charts to accounting firms and employees refer to those surveyed. Likewise, all data points and percentages refer to the results of the quantitative survey.

The OECD innovation framework

To determine which business initiatives were truly innovative, and assess innovation activity, CommBank adopted the framework set out in the Organisation for Economic Co-operation and Development (OECD) Oslo Manual. Used by organisations around the world, including the Australian Federal Government and the Australian Bureau of Statistics, the manual is constructed around four key innovation areas: products, processes, marketing and organisational.

References to 'innovation-active' are based on an assessment of innovation using the Oslo Manual definition - a new or significant improvement in one or more of the four areas.

We used the Oslo Manual criteria to test each innovation mentioned by the survey respondents, allowing us to determine whether their business improvements met the definition of innovation and the number of areas in which they were innovating. We used this approach because we did not use the word 'innovation' in this part of the survey so the results would be robust.



Technology drives need for new skills

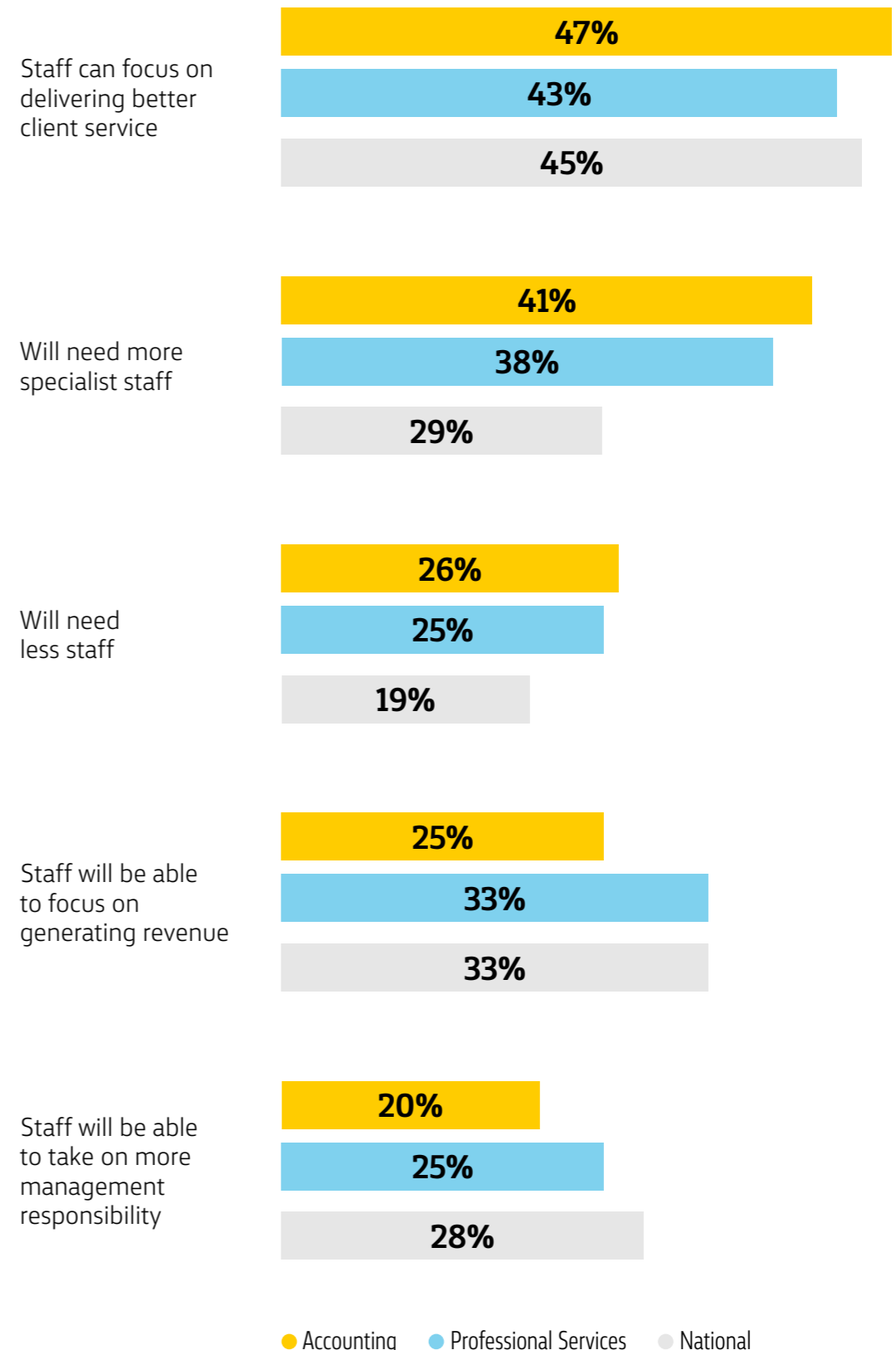
The FY19 Business Insights Report for the Professional Services sector found that innovation activity has plateaued in the sector. Early efforts to cut costs, automate and streamline their firms as clients demand lower prices are paying off. Revenue expectations for the coming year are much brighter among Professional Services firms than many other businesses.

The report further found that employees and decision-makers alike place greater importance on the role of technology in gaining and maintaining a competitive edge than their peers in other sectors. Consequently, Professional Services firms are more likely to be investing in a range of emerging technologies.

More than most, decision-makers at accounting firms expect that technology will increase their need for specialist staff and allow for a greater focus on client service. However nearly half of Professional Services employees surveyed worry that technology could also make their skills and knowledge less valuable. As such, both decision-makers and employees across the industry recognise the need to reskill.

This follow-up report examines the skills and capabilities that accounting firms seek to develop and recruit in the next few years and compares them with where employees believe their existing strengths lie and their preferred areas for development.

The impact of technology on the workforce in the next five years



The skills for the future

Given the importance the sector places on technology, it isn't surprising that effective technology skills feature prominently among the skills that decision-makers in Professional Services seek to recruit or develop to ensure their firm is future-fit.

Even more important than technology skills though is adaptability and flexibility. According to the research, it is the number one skill looked for by businesses across Australia, including Professional Services firms. Decision-makers at accounting firms, however, place vastly more importance on flexibility than any other Professional Services firms. This is consistent with CommBank's Accounting Market Pulse report of June 2018 that found firms are having to constantly adapt to client expectations from a divisional and industry perspective and to diversify their service lines as they become multi-disciplinary professional advice practices.¹

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What innovative firms do differently

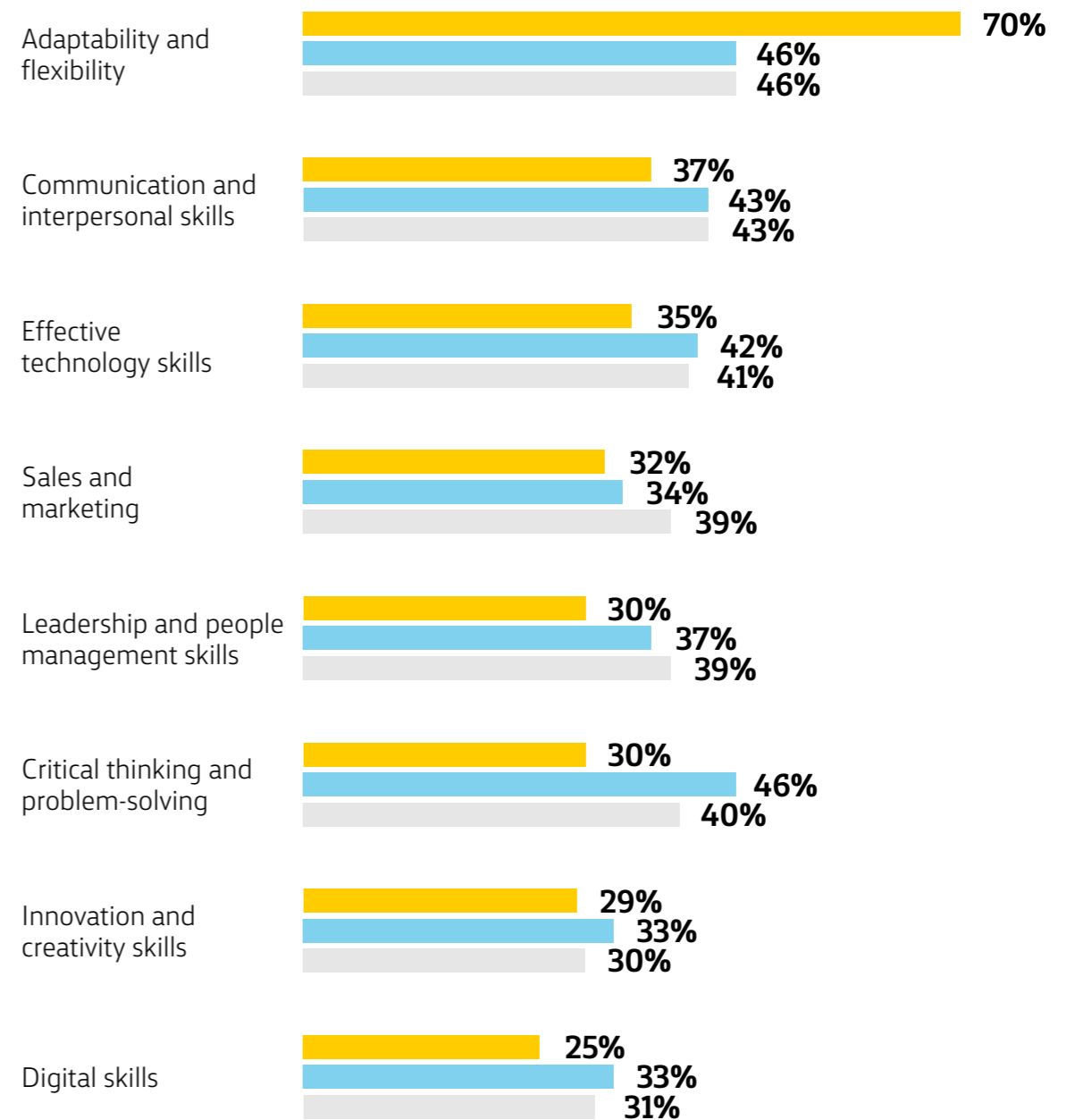
Compared with firms making improvements, innovation-active Professional Services firms see greater demand for the majority of skills, particularly around communication and interpersonal skills, innovation and creativity. Firms wanting to grow have to be creative. They also place greater emphasis on effective technology skills and business and commercial acumen.

This mix of skills reflects their efforts to become more client-centric and to keep pace with technological developments that enable a competitive advantage in meeting client expectations.



¹ Referenced from CommBank Legal Market Pulse Report December 2018
commbank.com.au/content/dam/commbank-assets/institutional/2018-12/legal-market-pulse-report.pdf

The skills most in demand among decision-makers



- Skills decision-makers seek - Accounting
- Skills decision-makers seek - Professional Services
- Skills decision-makers seek - National

How employees' existing strengths compare

Including employees in this year's survey unearthed some interesting insights that represent opportunities.

Opportunity 1

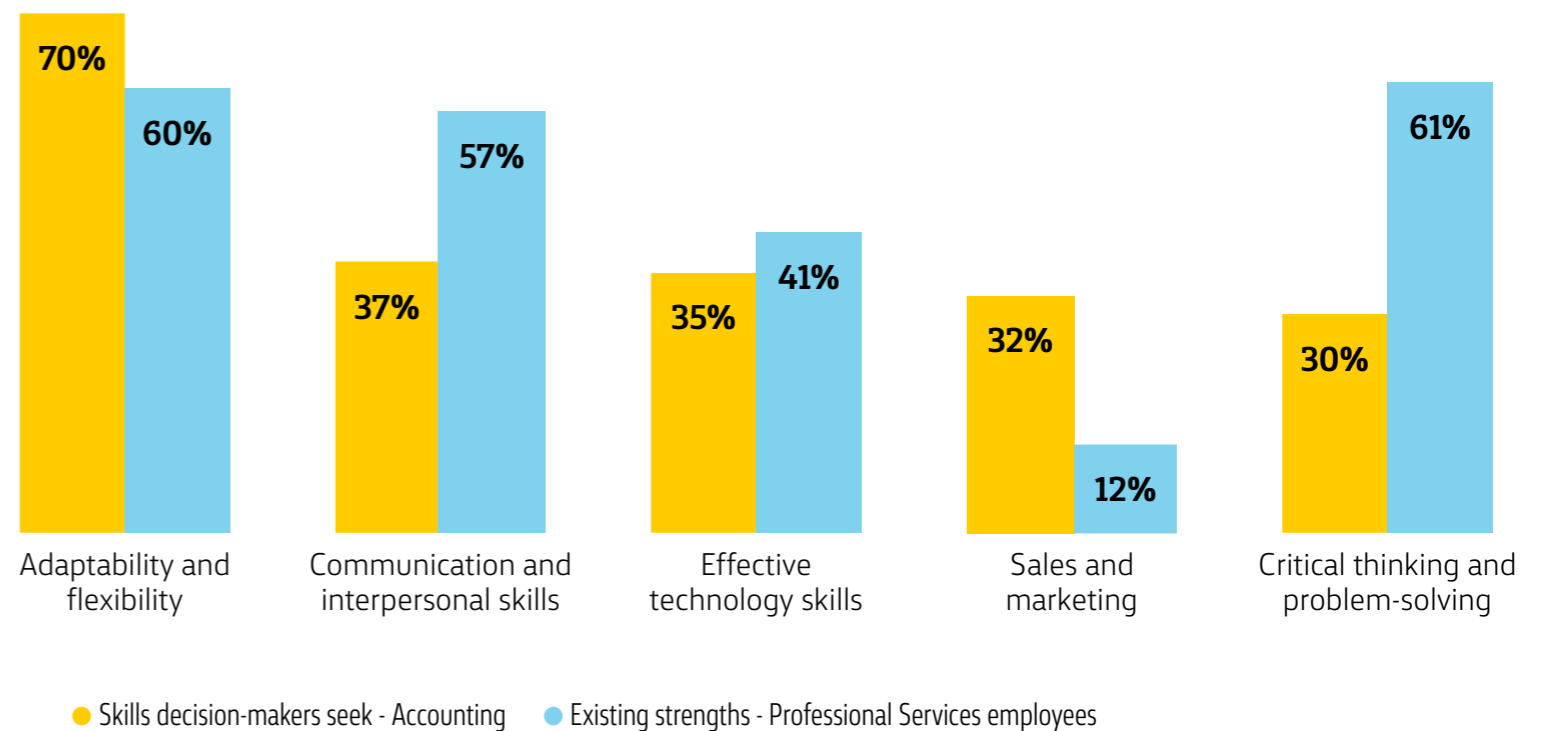
There is remarkable alignment between the soft skills that accounting firms most want to develop in their workforce and where employees in the broader Professional Services sector see their strengths. Encouragingly, employees across the Professional Services industry over-index on critical thinking (61%) and adaptability (60%). The research suggests that accounting firms may be able to better leverage staff's existing skills while supporting them to develop in areas such as sales and marketing, where they are less proficient.

Professional Services employees' apparent confidence in their technology skills is skewed by staff working in IT services. These employees are also why the sector over-indexes in critical thinking and analytical skills versus the national results.

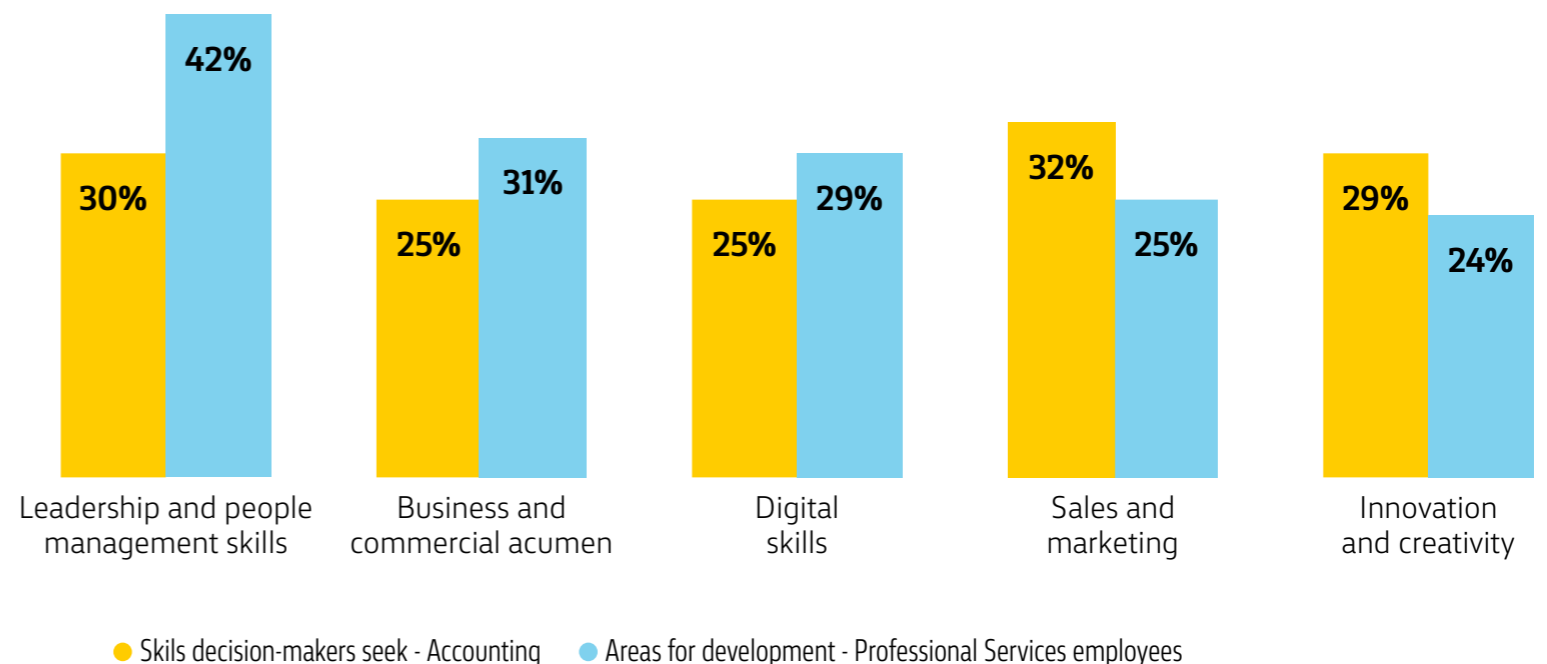
Opportunity 2

Although confident that they have many of the soft skills needed to support their firms' future success, employees in the Professional Services sector recognise they need to develop in other areas to advance their careers. Hence the top capabilities that employees would like to build are leadership and people management, along with business and commercial acumen.

The skills for the future – what employers want versus employee strengths



Areas industry-wide employees want to develop versus skills demand from accounting firms



Conclusion

More broadly, only half (49%) of employees across the broader Professional Services industry believe their employers make full use of their skills and capabilities. The difference between employees who see themselves as working for innovative firms and those who believe they work for an innovative firm is 62% and don't believe their firm is innovative is 26% respectively.

Regardless of innovation status, the research suggests that some firms need to rethink the way they support skills development among their workforce. Employees who don't feel that all their skills are being used are likely to be less satisfied in their role, less engaged and more likely to leave the firm. This is particularly pertinent to accounting firms given the perennial problem of staff recruitment and retention.

The research underlying this report has identified the skills that firms most seek and the areas where employees want to develop to advance their career. The final report in this series explores the various approaches that firms are taking to secure the skills their organisation needs to succeed in the future.

Talk to us

Visit commbank.com.au/professionalservices or email us insights@cba.com.au

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