

ARE WE THERE YET? ***The Future of the Professions***

While you've been watching your practice, the world in which you practice has changed – or haven't you noticed? The changes in the practice of the professions, during the past 5 years or so, have been dramatic. To a large degree, these changes portend even more evolution in the coming years.

To seriously attempt to predict the future is, as the English say, a mug's game. It can't be done. Could you have predicted, about 20 years ago, the advent of the internet and the effect that technology would have on business, including your own? Probably not. Too many random events, too many external factors, too much not yet discovered technology, make reasonable predictions for the future impossible.

Still, it's important to be able to look at the probabilities inherent in certain trends, in order to plan and run a practice effectively. How can this be done reasonably and rationally?

First, by looking at the factors that have dictated change in recent years, and the trends that they portend. For example...

- *Technology.* First the fax machine, then the PC, then the internet, email, the cell phone, the intranet, mobile and wireless communication, and the extranet. Now internet voice mail and the smartphone. All these technologies, some of them less than five years old, have substantially altered the way in which business is conducted. More significantly, none of these technologies are frozen – they are all evolving, and will continue to do so over the coming decades. The ability to communicate rapidly – internally and externally -- have put a new face on business. And while we may not be able to predict what the new technology will be, we know that we have to keep abreast, to be aware, and to be prepared to stay abreast. Why? Because the clients will, and not keeping abreast of your clients' technology is like not have a phone or fax machine when the client does.
- *Regulation.* For generations, the professions have fought regulation, particularly of their own business. "We will self-regulate," the professions insisted. And then came the scandals – one after another, with no major accounting firm exempt. And so came *Sarbanes-Oxley* and other significant regulatory measures. The regulation of the professions was wrested from the hands of professionals, and given over to government agencies. Nor is that battle over yet. New problems, new scandals, new regulations, at which we can only guess, but not predict.
- *New rules, regulations, and techniques.* In the dynamic business world, business practices and regulatory changes often dictate the need for new practices and standards. Globalization, for example, makes international accounting and legal standards more relevant to more accounting and law firms. New financial instruments and changing structures in the capital markets will require new rules and techniques.

The practice of accounting – and law as well -- is vibrant and changing constantly. It will continue to do so.

- *Governance.* In today's dynamic economy and rapidly moving economic environment, can the traditional partnership structure of the professions sustain? Will the professions discover new forms of professional firm governance that still keeps the professional's independence? Probably. What form? Who knows? But when the need for change becomes obvious and advantageous, dictated by new demands from increasingly sophisticated clients, you can bet the professions will find a way to build structures that better manage the firm, and that are more responsive to the clients' needs. Top down, "My way or the highway" management no longer works, particularly in an era in which competition and client needs demand a vast body of technical knowledge and the enthusiastic support of every professional. And particularly in a time when the competition for scarce talent heats up, and recruiting becomes more difficult. A growing number of firms are going to a two-tier system, in which those on a partnership track are distinguished from those who are not. But unlike traditional firm practices, in which the non-partner track group was released, the second tier is now recognized for valuable skills, and nurtured for better client service.
- *Changing nature of professionalism.* For generations, the meaning of a professional has been defined by the profession itself. The professional had the keys to the mystery of his or her profession, and was exalted as both inherently wise and as the keeper of the mystery. The professional's opinions and decisions were beyond questioning. But today, sophisticated clients routinely challenge decisions, or go to the internet to second-guess the professionals. Before the *Bates* decision, the Canons of Ethics prohibited any form of competition, and most companies kept the same accounting or law firm virtually in perpetuity. Many companies now use more than one professional firm for different aspects of business. It's a different clientele, more knowing and sophisticated -- and still changing. At the same time, the business and industry you serve is becoming more complex, demanding greater accounting, legal and business skills, and demanding greater knowledge of the clients' industries and business. New technology also brings new industries, and new complexities to older industries.
- *Globalization.* With the technical changes, and accelerated by other forces, globalization is really here. Few American business of any size are untouched by it. The smallest companies are selling products into foreign markets, or importing parts and material to make products here. Outsourcing is changing the world's industrial balance, and manufacturing and many intellectual jobs are moving overseas. Increasingly, we are a knowledge-based economy. These are trends that are not likely to diminish, regardless of the outcries. In most cases, it makes sound economics to export labor intensive jobs, and to build our domestic economy on knowledge based and intellectual jobs. Even aspects of accounting, such as tax preparation, are being done abroad. It make good sense in an electronic era. What this trend will evolve to in the next few decades is impossible to predict, beyond a body of knowledge of the distinctive aspects of marketing professional services recognizing that globalization will increase.
- *Competition and marketing.* A major factor in the changing nature of the profession has been the *Bates* decision (1977), in which the U.S. Supreme Court struck down the canons of ethics prohibiting competition and frank marketing. In the course of learning

how to compete the professions have developed a new body of professional services marketing knowledge – as opposed to the marketing practices that serve products. This has included changing attitudes from one in which the profession is at the center of the practice, to one in which the client is at the center. Marketing is increasingly recognized as an integral part of an accounting practice, and while it's not yet taught in accounting or law schools (it should be), professions are learning to compete, using professional marketing skills. Competition, the professionals have learned, is not fought solely with the traditional tools of marketing, but with new accounting and legal products and services and greater attention to client relations. Firms are becoming further immersed in a client's business and industry, and paying closer attention to clients' real needs. It's a service concept new to the professions. Traditional hourly fee structures are being questioned, and slowly replaced by value billing. Clients know they have options, and are no longer wed to just one firm, which means that competing professionally is no longer an option – your competitors are out for your clients. Professional productivity is now a major concern.

These are just a few of the factors that will dictate the changing nature of the profession in the coming decades. Today's firms would not be recognized by the those who founded the major firms of the 20th Century – the messers Peat and Coopers and Arthur Young, etc. – not just for the technical aspects of accounting, but for the nature of the practice itself, and how contemporary practice and client relations have changed.

One important point. The changes to date, and the changes to come, have rarely been promulgated from within the profession. Ultimately, the way in which the practice of law and accounting have changed, and will continue to change, will be dictated not by the profession and the professional, but by the client.

Thus, to know where the professions are going, and what today's lawyers and accountants must do to be in tune with change, don't look to the professions. Look to the clients. Accounting and law are now client-driven professions, and that's both their present and future.