



INSIDE CORPORATE ACCOUNTING AND CONSULTING

Accounting in the age of disruption

is accelerating the change.

"To them, it's not change," said Abe Schlissfeld, co-partner-in-charge of the real estate group at Marks Paneth. "It's the way they live their lives."

In the construction industry, for example, technology such as 3D modeling, used to design buildings, is one factor. Another is an influx of overseas investment and private equity funding that is enticing some baby boomers to cash out of their privately held firms.

"I've never seen more disruption in the construction industry than I've seen right now," said Steven Goldstein, a partner at Grassi & Co., an audit, accounting and tax services firm.

Disruption brings new risks

Many leaders across industries are concerned about the uncertainty that change brings. In a recent Forbes Insights survey, a majority of executives perceived innovation by established companies and disruption by startups as putting their organizations at great risk in the next five years.

New York City accounting firms are increasingly on the front lines, helping clients navigate rapidly changing industries—and often overhauling their own operations along the way.

Charly Weinstein, CEO of EisnerAmper, an

audit, accounting, advisory, consulting and tax services firm, said new technology has changed the way his team works, the skills to do the work, and training.

"The technology is really changing the business model for accounting firms," he said.

Implementing technology, with a human touch

EisnerAmper is finding opportunity in technological change by helping clients leverage the firm's subject-matter expertise through new software.

"We are working with software firms to turn their software into services we can bring to market," Weinstein said.

The plan: Make the software available to other firms to take to their clients and for other types of companies to use it themselves.

For instance, EisnerAmper partnered with a tech firm to create software that helps health care clients collect receivables. The program, which EisnerAmper itself uses, relies on big data and data analytics to improve clients' collections processes. An algorithm, which the software firm developed, is used.

That's just one example of how the firm is turning its ideas into technological products, such as software.

Change is happening so quickly in many industries that Marc Newman has recommended that some clients add a new job title: chief change officer.

Such an executive helps a company transform itself, from both a technical and cultural perspective, to thrive in fast-evolving marketplaces.

"Anyone who has run a business knows that changing things is one of the most difficult things you can do," said Newman, associate managing partner at accounting firm Anchin, Block & Anchin.

Digital technology, changing customer behavior, new methods of distribution, globalization and regulation, among other factors, are sweeping many industries, leading to unprecedented disruption.

Millennials' strong presence in the workplace

"We are productizing everything we do," Weinstein said, referring to turning knowledge into salable products.

For clients dealing with complicated revenue recognition regulations, the firm is using IBM's Watson software to go through key documents.

"The revenue recognition rules are complex and affect every business," Weinstein said. More than a dozen factors are involved in determining when to recognize revenue, he added.

technological and other changes as a positive force for the industry.

Accounting firms help clients respond to change

Many firms are ramping up their advisory and strategic planning services to help clients anticipate disruption.

At accounting and advisory firm Berdon, many of the middle-market clients face competition

wrong spot in the marketplace."

Berdon is helping clients assess how to control costs so they can stay competitive. For instance, in manufacturing distribution and retail, using new logistics technology may reduce the need for personnel.

"If they don't adapt, they will be left behind," Fitzgerald said.

Marks Paneth, for instance, has made its internal processes more automated and embraced new document management tools.

"The clients that are less likely to evolve, or that don't have the money, are going to lag behind competitors and find themselves in a wrong spot in the marketplace." —John Fitzgerald, partner, Berdon

"As with a lot of things in the business world," Schlissfeld said, "we all have to learn to adapt to change around us."

"Our software uses artificial intelligence to read the customer contracts and analyzes how to recognize revenue against those dozen factors," Weinstein said.

To implement the AI technology, EisnerAmper's team had to become proficient in using it—bringing change to how its accountants work.

"The technology would have little value without the expertise of our technical accountants," Weinstein explained.

Within two or three years, accounting firms will look significantly different, Weinstein said. Although many in the business world fear changes in how they operate, Weinstein views

from big companies that have entered their market, said John Fitzgerald, a partner and executive committee member at the firm.

"A lot of our strategic meetings are to try to project where this disruption and those threats are coming from," Fitzgerald said.

In addition, encouraging clients to embrace new technology is important, he said.

"Our clients who are able to adopt technologies faster are going to be able to stay ahead of some of this," Fitzgerald said. "The clients that are less likely to evolve, or that don't have the money, are going to lag behind competitors and find themselves in a

Without encouraging clients to develop an "innovation mindset" to take advantage of new opportunities, said Bill Hagaman, managing partner and CEO of the accounting, tax and wealth management firm.

"Their challenges are the same as ours: Technology continues to disrupt them," Hagaman said.

Of course, not every disrupted company is eager to change. Accountants often need to motivate them to rethink their approach.

"They've made a lot of money maintaining their business the way they have been maintaining it," Hagaman explained. "A lot of them will continue to do it until the change is very stark and apparent."

MARKS PANETH
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