

ACCOUNTANCY TECH REPORT

October 2018



legal 
insider

► How the other half do tech

What law can learn from accountancy about harnessing technology to remain relevant in a fast-changing world

There is much that binds the sister professional services industries of accountancy and law. Both are fundamentally knowledge-based, client-centric and steeped in tradition. Ownership is concentrated in the hands of a small number of senior, practicing individuals. The engrained business model is based on billable hours.

Both law and accountancy have also been subjected to an unprecedented barrage of new technology over the past decade, as the advent of everything from cloud to big data and automated analytics to AI, has created the opportunity – the necessity – for organisations to reposition themselves as indispensable strategic partners.

But here the similarities end. As an industry, the accountancy sector embraced the deluge of digital advancement from the outset, in full recognition of the role that it would play in revolutionising the demands on their business. It has taken the legal industry far longer to wake up to the critical implications of inertia.

“Digital disruption is far more pronounced in accountancy than law,” says Stuart Walters, currently CIO at BDO, but whose previous employers include Taylor Wessing, Olswang and Eversheds. “There is a greater acceptance of change and innovation amongst accountancy firms. It is a cultural issue, not just an IT issue.”

But the threat of losing market share, not to another law firm, but to accountancy firms leveraging their technological prowess, is forcing the legal industry into the arms race.

“Accountancy firms are all over technology, driven by the need to compete with their peers,” says Paul Domnick, former CIO of Freshfields and president of Litera Microsystems. “For the legal industry it’s about fending off a threat from outside.”

“It is only a matter of time,” adds Stuart Barr, chief strategy officer at HighQ. “The Big Four are potentially going to cause a lot of disruption for the legal industry by using technology in ever smarter ways.”

Cultural differences

So why have two industries, with ostensibly so much in common, reacted with such pronounced difference to one of the greatest transformative forces to come their way this side of the industrial revolution?

As Walters says, it is to a large extent cultural.

“As a general rule, accountants have grown up with technology and use it every day,” agrees Dean Sappy, president and co-founder of DocsCorp, a company which provides document management technology to both accountants and lawyers. “The legal sector tends

to be more focused on the written word. Tech can be seen as an annoyance.”

Sappy cites his company’s pdf docs app as an example of the legal sector being more resistant to innovation. “We have found accountants are happy to look at different ways in which they might use the product, while lawyers say, ‘that is the way we have always done things and we don’t want to change’.”

GDPR is another big focus for DocsCorp, which provides technology to make sure documents are available and searchable to respond to client requests. “The accountants have embraced this because it enables them to offer a better service. The lawyers are doing it because they have been told they have to.”

The dominance of PwC, KPMG, EY and Deloitte is also key. The top 100 legal and accountancy firms represent comparable combined revenues, but somewhere around 80 per cent of those revenues, for the accountancy sector, are wrapped up in the Big Four.

The sheer scale and firepower these behemoths possess has allowed them to embrace technology in a way that leaves even the biggest and most forward-thinking law firms trailing. This in turn has set the scene for mid-tier accountancy firms that have had little choice but to follow suit.

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Stuart Walters, CIO at BDO

Furthermore, any recent growth for the accountancy sector has been largely organic – and tech led. By contrast the legal industry has been highly acquisitive over the last ten years and some of the sector’s fastest growing firms find themselves in an ongoing state of integration. For the CIO this means the challenge of assimilating disparate legacy systems – a headache side-stepped by the majority of their accountancy peers who are free to focus on long-term strategy.

“For the past few years, my priority has been the harmonisation and modernisation of our tech environment,” explains Hogan Lovells global CIO Ash Banerjee, citing replacing infrastructure in data centres, standardising PCs and creating uniform global finance systems as recent areas of focus. “We have grown through a combination of firms over the years and the systems we have inherited from those firms were suited to smaller, local partnerships. Our focus is creating technology fit for a global firm of our scale.”

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When was Tikit created?

The company was incorporated back in 1994

How big is the company today?

We employ over 200 people

What core products or services do you provide for accountants and lawyers?

We focus on four core ecosystems, each one represented by a piece of Tikit IP linked to a number of partner products. The ecosystems are document lifecycle management, time recording, marketing and CRM and practice and case management. Practice and case management is only relevant to the legal sector but the others are used by both accountancy and law.

What do you consider to be the core benefits of your products for the accountancy and legal sectors?

We try and help businesses be more efficient and effective today so that they can be more successful in the future. In doing this we aim to provide the tools to create a more agile working environment. Part of being efficient and effective is to be able to provide

the full power of the desktop when mobile. That isn't fully achievable yet. It may be in the future. But we aim to ensure users can be as effective as possible whenever and wherever they choose to work and that clients can get better and faster information.

What sets you apart from your competitors?

We like to think it is our focus on these ecosystems. Rather than just providing a series of products and partner products we are focused on how they all fit together in the most efficient and effective way possible.

What does the future hold for Tikit?

We hope we will have moved into a world where people can be as effective away from the office as in the office and where client communication is as transparent as it will need to be in the future. Clients are demanding increasing transparency through process management or project management. They want to know what's going on, how much they are spending and crucially whether they are getting value for money. Our aim is to continue providing products to support that.

For more information about us visit tikit.com

A partnership approach

There is also a palpable difference in the two sectors' approach to the partnership. "The people who run accountancy firms take the view that they are building a business," Sappy says. "They are looking to grow commercially over the long-term and they see technology as a way to drive revenue. Legal firms are still very much run as old-fashioned partnerships."

As a consequence, accountancy firm CIOs tend to be given significant autonomy and encouraged to implement long-term digital strategies. Legal CIOs, meanwhile, may sometimes have their hands tied by the short-term economics of the partnership and the disparate specialisms it represents.

"Legal firms tend to be more focused on how they will increase profits in a given year," says Sappy, adding that he sees no difference in the underlying ambition of the CIOs themselves, but rather in the decision-making structures and the incentivisation of those who have the final say.

Some question the seniority and decision-making ability of those in key tech positions within law firms. "Decision making around technology takes place at the highest level at EY," says UK CIO Harry Gaskell. "I report to the chairman. My impression is in law it often takes place a few levels down so that hampers the ability to make long-term choices."

Walters believes it varies firm by firm. "Some law firms really do have a CIO, for others they are more like IT Directors in practice," he says. "The difference is a CIO is engaged with clients – and is responsible for moving the business forward. With law firms it is sometimes just lip service."

The question of governance around technology is one that many law firms are clearly addressing. At Hogan Lovells, Banerjee has set up an IT steering committee with two partners from each practice to aid prioritisation. "This is a new initiative and it was a challenge to implement," he says. "It is not what the firm was used to but we are determined to be more corporate."

The role of the finance director within the firm is another important differentiator. Within accountancy firms the FD will be usually be involved in decision making around technology from the get go, according to Colin McArdle, account director at Tikit and formerly of LexisNexis. "As accountants themselves and with a clear focus on the bottom line, they will be asking questions like, 'Why do we need all these disparate systems?' By contrast legal FDs only tend to get involved very late in the day."

The nature of client interaction also plays a role. Accountancy firms tend to have ongoing engagement, with constant communication between tech savvy accountants and their tech savvy clients. By contrast lawyers who, as a generalisation, may be naturally more tech ambivalent, are often drafted in to deal with a specific issue.

"The services we provide tend to feel more like a business partnership than law," says BDO's Walters. "Accountants are seen to understand clients' businesses and the pressures they are under. Law always seems like a grudge purchase, a third party you have to go to. Lawyers are so expensive you don't want to spend too much time with them, whereas accountancy firms are more embedded with clients."

The more 'ad hoc' nature of the work can sometimes make the legal sector reactive. "Technology is viewed as a way to solve a specific problem," says Sappy, "rather than a cohesive, long-term strategy."

McArdle adds: "We see lawyers invest in a piece of technology for due diligence on a specific tranche of contracts, for example, and then it's a case of 'we've bought it now, what shall we do with it?'"

Of course, the nature of the work also has significant implications. The accountancy firms are not just looking at using technology to improve internal systems, they are delivering tech direct to the client. It is tangible - something the client can see.

"We feed data analytic tools directly into the business processes of our clients," explains Walters.

Indeed, the speed at which clients are adopting technology is one of the most significant factors in the accountancy firms' approach to innovation: they cannot be left behind. Critically the business community and revenue services that they primarily interact with are highly tech orientated.

Until recently that has been less relevant in the legal environment where technology is more likely to be used behind the scenes, the finished product - or end document - remaining broadly unaffected. Instead, the legal industry's tech ambitions can sometimes be frustrated by the speed at which courts are digitising.

Standing out from the crowd

The concept of technology as a differentiator is far more accepted in the accountancy space than is the case amongst law firms.

"I would say technology is critical to the running of our firm and investment in technology is considered important," says Banerjee. "But is it a differentiator? I would say there are some areas where it can be but it is

more a case of productivity and efficiency.”

By contrast Dylan Jones, director of information technology at Moore Stephens says: “Technology is hugely important as a differentiator for us. It is right up there with our staff. Law firms tend to look to one another and won’t move unless someone else does. That has led to them being heavily reliant on legacy systems.”

“Accountants use technology to differentiate to a far greater degree,” adds Sappy. “The legal industry tends to be a lot less adventurous and virtually every law firm is using broadly the same solutions. They are less willing to do something different. In fact, they feel far more comfortable following where others have already led.”

There is no doubt that the legal sector’s approach to technology as a differentiator is changing – with law firms increasingly turning to capabilities such as smart contract review to stand out from the crowd. But the perception of law as an insular industry is hard to shake.

This has been particularly evident in the profession’s approach to recruitment. Accountancy firms will routinely look to alternative corporate environments for inspiration while law has historically stuck to its own.

“In our tech teams, we don’t focus on sector. We look at experiences and exposure to different environments,” says Jones. “We want people who can bring different ideas regarding how to deliver services.”

“I joined the legal industry from insurance ten years ago. That was very unusual then,” says Domnick. “To be fair, now the best law firms are looking further afield and we have seen some very interesting hires.”

Barr believes the new roles being borrowed from accountancy and consultancy are more noteworthy than the hires themselves.

“We are seeing new roles become commonplace, such as legal engineers, a position that blends tech skills and legal knowledge, and more recently product managers, who bring a new skillset to develop and manage legal products and services,” he says. “We are also seeing more knowledge managers and pricing specialists, for example, as well as heads of innovation to drive adoption of disruptive or emerging technology. This could be genuinely transformative.”

Time is money

The impact of technology on the deeply entrenched billable hours business model has been critical for both the legal and accountancy professions. Technology is designed to create efficiencies but when you’re charging by the amount of time spent, that means charging less money.

Neither industry has completely resolved this issue but there is a sense that accountancy is more accepting that change must come.

“We have talked about it a lot over the past 12 months because investment in technology is a big expense,” says Nick Frost, audit technology lead partner

at KPMG. “How we monetise that with clients is the issue. Both accountants and lawyers are still primarily using the traditional billable hours system but some shift towards fixed costs with a less incremental cost of time is inevitable.”

“We are definitely seeing more fixed price work and value-add work in the accountancy space rather than simply ‘how much can we bill?’” says Walters. “Fixed price creates demands for efficiency and value proposition for clients and that is what our digital transformation is premised on.”

Gareth Thomas, sales director at iManage, believes that the accountancy sector is better at fixed pricing because it is more able and willing to price by unit. “The bigger law firms are using some fixed pricing, but law firms generally are still tending to say ‘it will take as long as it takes,’” he says.

Law firms also tend to put less emphasis on measuring ROI on the technology they employ. Putting a number on tech investment can be tough for both sectors, due to the intrinsically intangible output of professional services firms, but attempting to do so can strengthen strategic direction.

Head in the clouds

So what technologies are accountancy firms employing and how do they differ from the legal industry?

There is inevitably a lot of cross over. “Both sectors are using similar technologies around document management, content management and practice management,” says McCardle. “But accountants are more willing to look at transformative technologies to safeguard their position.”

Few technologies have been as transformative as Cloud over recent years. Accountancy firms are almost completely accepting of cloud solutions as their first port of call, McCardle says. “It takes away the headaches of keeping legacy systems up and running and frees up time and headspace for the really big things.”

“Cloud should have had a huge impact on both sectors. It means time and energy can be focused on delivering value,” adds Walters. “But there is still an aversion to cloud in the legal sector because of perceived security issues. The legal industry is definitely lagging behind.”

In fact, responding to cyber threat is a huge issue for both sectors. “It is the area they most have in common,” says Sappy, whose portfolio includes a product to ensure documents don’t get sent to the wrong person. “Both see risk and realise new technology can help although it still takes legal firms longer to get there.”

Mobility, hand in hand with cloud, meanwhile, is an absolute priority for the accountancy sector. Indeed, Grant Thornton has made it a cornerstone of its technology strategy, according to IT Director Greg Swift.

“We took the decision several years ago that we were a mobile business where we wanted our people



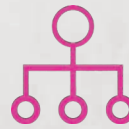
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When was your business founded?

It was a year in the planning and launched on May 1, 2013

How big are you?

We are UK based with 15 employees, plus a development team.

What core products or services do you provide for accountants and lawyers?

We provide best in class Microsoft Word & PowerPoint Template expertise and services, as well as excellent SharePoint and Microsoft Stack development skills and toolkits.

In terms of our core products, Enable PitchPerfect is an enterprise content management and proposal system used by many of the leading international professional services firms around the world, Linklaters being the latest. Enable Revenue Manager, meanwhile, is a new product that has been quickly adopted by two of the largest UK firms. It dramatically improves the free up of unbilled time and WIP by freeing up lockup.

What do you consider to be the core benefits of your products or services for those sectors? What challenges do you help them to overcome?

Pitch creation in many large professional organisations is full of inefficiency. Templates are often designed by inhouse design teams and then converted to Word by inefficient means. These templates, when used in the pitch process within Word, cannot be easily

employed by end users and therefore require expensive document support and design teams throughout the proposal life cycle. This, of course, is both inefficient and costly. PitchPerfect removes these inefficiencies.

What sets you apart from your competitors?

Happy users! Through ease of use and efficiency throughout the enterprise we make life easier for those who use our products.

What are your company's ambitions? If we were toasting your success in five years' time, what would we be toasting?

A great brand and a strong reputation as a firm that listens to our clients and provides stable, easy-to-use, products. We will continue to innovate and to deliver on our product strategies according to our road map. We also plan to grow strongly in new, but similar markets.

Q&A with David Lumsden, CEO

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out with clients and not sitting at desks,” he explains. “That meant we needed a tech landscape that supports that. We went to laptops for everyone and to Microsoft Office 365 and Skype for Business. Our goal has been mobility.”

But it has been the way in which accountancy firms have embraced automated analytics and artificial intelligence that has the potential to most radically disrupt. The questions being asked around AI in accountancy are, how fast and where first, not if. AI is being rolled out across all highly automatable areas such as tax, due diligence and above all audit. (See box out). “Wherever you have complex, time-consuming jobs that are repeatable, there is a place for AI,” explains Gaskell.

“Law firms have a tendency to rush towards whatever technology is the latest buzzword rather than think about how they will use that technology to solve a problem”

Stuart Barr, chief strategy officer at HighQ

“Process automation and natural language processing, be that chat bots or for reading documents, is having a huge impact for law and accountancy,” adds Walters. “It is driving efficiency and a focus on client service.”

Indeed, the legal industry has certainly ramped up its focus on AI over the past 18 months, particularly for analysing large data sets, according to Sappy, who cites the recent example of a firm using AI to search all the wills of high net worth individuals with assets over a certain level. The firm then used that information to proactively generate business. “It’s a big change,” Sappy says. “But it is only happening at a handful of firms.”

Hogan Lovells has recently settled on a new discovery platform that it will be rolling out globally, as well as an AI-based contract review tool.

“There are great tools out there for legal research but, more than that, they can give an indication of the likelihood of litigation success, for example, based on historical judgements”, says Banerjee. “Yes, the accountants are further ahead than us. They are operating on a different scale. The Big Four have so much money and resource.”

It is a mark of how seriously the legal industry is taking emerging technology, however, that we are increasingly seeing firms forming partnerships, creating incubators or even investing directly in start-ups. Again, this has been common practice in accountancy for many years.

Hatched by Moore Stephens is a two-year programme designed to support start-ups through their rapid growth phase, for example. Deloitte, meanwhile, has a £25m Innovation Investment Scheme which

primarily allows employees to run their own start-ups full time while drawing on legal, risk, brand, marketing and technology support. The scheme also makes external investments.

“The Big Four have been investing in technology for years,” says Barr. “They have huge technology and consulting teams themselves. They understand technology and change deeply. We are definitely seeing more activity now in the legal sector though, with multiple firms setting up incubators and innovation labs such as Allen & Overy’s Fuse or Nextlaw Labs from Dentons.”

The risk is that law firms are leapfrogging the basics by hurtling headfirst into emerging technologies.

“Law firms have a tendency to rush towards whatever technology is the latest buzzword rather than think about how they will use that technology to solve a problem,” says Barr. “AI, blockchain - they would be better off focusing on simple process improvement, communication, collaboration, the low hanging fruit. These incremental changes can have more impact than a big bang.”

A brave new world

What is clear is that the technology that exists today, and that which is just around the corner, is set to fundamentally disrupt the accountancy sector.


“Within five to ten years emerging technologies such as AI and blockchain, which is currently in the hype phase, will have a huge impact,” says Jones. “These technologies may actually undermine lots of the services we have traditionally provided.”

But accountancy firms are proactively working, hiring and investing to reshape their organisations and services to reflect the new order, creating whole new business lines using technology.

“Yes, technology will remove some of the more mundane areas of the job, but it will also allow us to move into areas we could never access before, such as auditing morale,” says Frost. “Morale is very closely correlated to performance. Just imagine if we could tell a board that not only have we scored their culture, using AI to review every email, text and tweet, we have also scored morale, compliance with their code of practice and ethics. The opportunities are every bit as big as the challenges.”

In particular, technology is enabling accountancy firms to take on ever meatier chunks of legal work themselves, as they bolster their inhouse legal practices (See box out.) It is now up to incumbent law firms to respond with equal creativity, innovation and willingness to embrace change.

The legal industry has made great strides in recent months and years, updating legacy systems and exploring emerging technologies. But there is still a lot it can learn from its sister professional service when it comes to harnessing technology to remain relevant and avoid losing market share.

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When was DocsCorp created?

The company was founded in 2003

How big is the company today?

We are a global brand with more than 500,000 users in 67 countries and over 100 employees across our Sydney, Pittsburgh, London and Manila offices.

What core products or services do you provide for accountants and lawyers?

We help the legal and accountancy sectors manage their most critical asset – their documents. We do this by providing document management professionals with easy-to-use software that empowers them to work safer and smarter.

Our product portfolio is a list of must-have technologies, most of which can be accessed on the desktop, server or cloud. The list includes email recipient checking; metadata cleaning; document comparison; PDF creation; converting image files to PDF; document compression and automated OCR'ing. These solutions work together as a complete document productivity suite.

What do you consider to be the core benefits of your products for the accountancy and legal sectors?

All DocsCorp products are Windows 10 ready and integrate out-of-the-box with leading document and practice management systems. Firms can choose a combination of on-premise and cloud integrations to streamline processes and drive business efficiency. Our Product and Support teams are there every step of the way, from piloting to roll-out, training and providing technical support right when you need it.

What does the future hold for DocsCorp?

We will continue to develop the technologies we have since most professional services firms have more immediate concerns than blockchain or AI.

Many firms are also only now in the process of moving to the cloud. Up to now, firms have wanted to do it, but clients have resisted. So when firms are ready to make the move, we want to reassure them that we have the technologies available. Saying that, we still need to ensure we continue to innovate for those firms who still rely heavily on the desktop.

For more information about us visit docscorp.com

► The Big Four and law

Legal services have long been a draw for the major accountancy and consultancy firms. As far back as the 1990s, Arthur Andersen, KPMG, PwC, Deloitte and EY all made high profile moves into law with major acquisitions and hiring sprees. Their ambitions were thwarted, however, with the collapse of Enron in 2001 and the subsequent implementation of the Sarbanes Oxley Act in the US, restricting the sale of additional services.

In the wake of the financial crisis, however, the Big Four accountancy firms have renewed their efforts as technology continues to erode margins in their core practices and as audit work is peeled away by EU rotation rules. Their position has been supported by the UK Legal Services Act deregulation package – or Tesco Law.

The legal services divisions within accountancy firms are not necessarily light years ahead of law firms when it comes to specific technology, but they do have access to the investment and innovation of multibillion pound behemoths.

Lawyers at KPMG, for example, are expected to go round the firm and “have a go on the toys” of other divisions. Meanwhile, PwC Legal is harnessing data science and analytics capabilities from around the multi disciplinary business with specialist lawyers working alongside AI and data analytics experts, financial analysts and forensic technologists in order to take a big data approach to solving clients’ problems, according to Juan Crossby, head of legal services at the firm.

“For example, we have a contract digitisation service that helps clients to retrieve thousands of existing contracts and to identify key provisions and trends to update the next generation of contracts,” he says. “This helps clients to prepare for GDPR or for potential law changes that could come as a result of different outcomes of the Brexit negotiations. Thousands of new versions of contracts can then be prepared in under a minute which would have taken many hours manually in the past.”

“The legal divisions of the Big Four are able to take advantage of existing technologies elsewhere within the business,” says Colin McArdle of Tikit. “Law firms have to start from scratch which is a lot harder.”

“Legal divisions at the Big Four are not necessarily much further along than law firms,” adds Paul Domnick of Litera Microsystems. “They are focusing primarily on their core divisions, but it is easier to transfer than invent from scratch. It’s a race.”

► Q&A: View from the Big Four

Harry Gaskell, UK CIO at EY, gives his take on the role of technology in the accountancy sector.

To what extent is technology a differentiator for your business?

Right now, technology is only a slight differentiator. Most clients don’t choose between the Big Four on the basis of their technology. In a few years it will be an enormous differentiator. There is huge change to come.

And that is simply because of what technology will be able to do. Just to give you one example from our tax department, where we are using AI to calculate capital allowance. If you are building a stadium or a big office building, different bits of that build are going to be liable for different tax and clients come to us asking how much they can expect to get back from HMRC. In the past a tax specialist would spend a couple of days going through an excel spreadsheet line by line. Now AI can do it by itself in three seconds.

How do you decide where to direct your efforts when it comes to technologies such as this?

You have to prioritise. AI can’t do everything. There are some questions it can’t answer. You have to pick the ones it can. You are looking for complex, time-consuming jobs that are repeatable. Audit is a prime example. We believe in the next few years, 80 per cent of audit tasks could be automated. Tax is another one. You are taking structured financial information and setting it against publicly available tax codes. It’s repeatable. Due diligence in our corporate finance division would be a further example. When someone is looking to buy a company they give you access to the data room and ask you for insight – what does the data tell you? That is highly automatable. Some things are less so, such as consulting. If you ask 100 CEOs what is keeping them awake at night you will get 100 different answers.

How does decision-making around technology work within your organisation?

It takes place at the highest level. I report to the chairman. My understanding is that in the legal industry it often happens a few levels down which can mean the CIOs hands end up being tied.

What is your approach to hiring around technology?

We are hiring people these days with completely different skills. In our tax department we are hiring people with AI skills. We are hiring smart data scientists, AI coders, people with blockchain experience, experience in software robotics. That recruitment is still not on the scale of our graduate intake, where you are talking around 1,000 a year. But we are well in the hundreds.

What is the biggest challenge you face when it comes to delivering on your vision?

The toughest thing – and I think this is true for both accountancy and law – is that we have been operating the same business model for hundreds of years. We hire smart people and then use those people to win clients. Now we are changing the model to smart people and smart technology. That involves getting our own people to think differently about how they service clients. It also means getting the clients to think differently. For example, if a client gives us work now they will ask how many people it will require for how long and at what rate. That produces the cost. But with AI doing the legwork, you can't charge by the hour for that. Transitioning to a fixed price isn't straightforward.

To what extent are accountancy firms, and particularly the Big Four, harnessing technology within their legal divisions, to compete with the incumbents?

The traditional law market is ripe for disruption and that is what we are doing. We have a great brand – albeit not as a law firm – and by hiring good lawyers and through our use of technology, we have a great practice. Incumbents are always slow to change and that is the case here.

To what extent do you believe the current noise around technology and professional services is hype and to what extent will it be genuinely transformative?

There is an old saying in technology that impact is always over-estimated in the short-term and under-estimated in the long-term and I think that is right here. There are those that say accounting will be unrecognisable in two to three years. I think they are wrong. But in ten to 20 years they could well be right. At EY, we believe we will be doing what we currently do now with fewer people. But we will also be moving into new areas with our technology. One example would be cultural audits. Another, of course, is law.

► Technology in practice

A look at how two different accountancy firms are updating technology in their business

Grant Thornton

Grant Thornton looks at technology in three ways. Digital optimisation - making the most of what it has; digital enablement - how to make what it does easier; and digital propositions - how can it evolve its tech capabilities to enable it to offer more and better products and services to its clients.

When it comes to optimisation, Grant Thornton took the decision several years ago that it was a mobile

business and wanted its people to be out with clients, not sitting at desks. The firm therefore needed a tech landscape that supported that. It moved to laptops for everyone including PAs. There are no longer any wired connections. As part of this transition, Grant Thornton moved to Microsoft Office 365 and Skype for business which gave the firm mobility and took out the cost of legacy telephony systems.

APIs – or application programme interfaces – have also been key. It's about a single source of truth and trying to eliminate off-system spreadsheets and communications. In addition, the firm has been spending money on increasingly complex systems to protect client data and staff from cyberattack.

Enablement is another big area of focus. It's about how the firm can do what it already does quicker and better. It is about to sign with a robotics processing automation partner for internal use but also to offer clients.

In terms of propositions – Grant Thornton has a senior leadership team which heads up digital innovation, with data scientists to help. Examples of projects include Supply Chain Insights and CFO Insights.

Smith & Williamson

Smith & Williamson is in the midst of a multi-year programme to transform its IT infrastructure to remove any reliance on legacy systems. Its priority is to deliver a “future fit” tech landscape that enables strategic ambitions.

Over the past year Smith & Williamson has moved all its people onto a modern cloud-based infrastructure, enabling them to serve clients irrespective of where they are working. That has involved the provision of new end-user devices and migration to a new data system.

In parallel, Smith & Williamson is introducing a new practice management system, which will provide a modern interface to support its professional services business. This will significantly reduce workloads through enhanced client onboarding, assignment management and reporting. By reducing the amount of time its people spend on admin it aims to increase the time they spend adding value to client relationships.

Smith & Williamson is in the process of replacing its legacy client relationship management system with a new client-based solution. This will enable it to provide the business with enhanced marketing and business development capabilities and support more personalised communications and greater visibility around client and prospect relationships.

► AI & Audit

Vast quantities of data, repeatable and automatable tasks, combined with slim margins, mean accountancy firms have ploughed technology investment into audit more than anywhere. Add in a tough regulator which has dished out some eye-watering fines as a result of high profile failures of the profession over recent years, and EU law changes stipulating that companies must put their audit to tender at least every ten years and rotate at least every 20 years, and the pressures to differentiate audit propositions through the use of technology have reached new highs.

Every major accountancy firm is either operating a smart audit platform or has one in the design phase. Firms are using AI, including natural language processing, pervasively to extract information out of vast document estates including information from non-traditional sources such as social media, radio and TV. Furthermore, they are leveraging collaborative technologies, building digital pipes from clients' processes into the audit, minimising the requirement for off system communication.

Many tasks that would previously have taken an individual hours of trawling through spreadsheets, or scaling ladders, pen and paper in hand, checking inventory in a warehouse can now be done in the blink of an eye and with far greater accuracy. In particular, automatable analytics mean auditors can capture an entire data set rather than the historical, sample-based approach.

"It's like putting a bucket in the River Thames and saying there are no fish in there," explains Nick Frost, audit technology lead partner at KPMG. "Now we can cast the net over the whole river and tell you exactly how many fish there are, as well as their type, size and age."

Technology has also enabled the audit process to become more rounded.

"In the past we have had algorithms that look at different risks within the business by both size and likelihood. That's two dimensional," says Frost. "Now we look at multiple dimensions – we show the velocities of risk, risk contagion, we can give the full picture."

Indeed, rather than accepting a degree of obsolescence, accountancy firms are using technology to shift the emphasis of audit from low value historical analysis to provide high-value predictive judgements.

Auditors are able to predict events, explain when and why they might occur using simulation modelling and prescribe the most effective path to maximise opportunities – thereby in fact increasing their relevance.

"We have a really good predictive analytic tool suite," says Frost. "If a FTSE CFO values an asset at £100, we can go back to him and say the actual value is £94.50 and, by the way, we are 84 per cent certain of that. The discussion becomes a lot more tangible than

it was before when we might have said 'the value is £95 because my mate says so and he's been doing this a long time.'"

Furthermore, auditors are not just using technology to audit the numbers. According to Frost, accountancy firms are increasingly using AI to assess the culture of an organisation. "We have seen some really high-profile companies around the world come undone and it isn't the consequence of an individual, it is a cultural flaw," he explains.

And the use of technology in audit isn't restricted to analytics and AI. Experimentation with drones, to assess progress on major construction projects, for example, is ongoing.

Blockchain, meanwhile, could well have a significant impact, and many accountancy firms are investing heavily in experimenting in this area. It is theoretically possible that blockchain could take the focus of audit away from historical transactions entirely. Rather than waiting till year-end to see the impact of an entity's transaction of financial statements, auditing could occur as the smart contracts are created, before transactions have even taken place. Fraud or error could be stopped before it occurs. Audit could become genuinely real time.

Most of these developments remain highly experimental. Practical applications are still a way off and security concerns remain high. But the best audit businesses are alive to the threats and opportunities that new technology brings.

► PitchPerfect

There is an important area of technology where the accountancy firms are not always leading the field, according to the CEO and founder of proposal generation business Enable Business Solutions Liam Flanagan. Enable works with business development and marketing teams in professional services firms to provide them with the tools to simply create compelling pitch material and Flanagan believes this is an area that has often been largely ignored by CIOs and IT Directors, because the sponsorship typically comes from CMOs.

"These business development, design and marketing teams are primarily Apple-based, as are the website developers they work with," he explains. "On the other side of the fence, with the transactional work, it all tends to be Microsoft. Five to ten years ago, the IT Director might have handed out more Apple PCs or bought more Indesign licences to go around to make that part of the job easier without making meaningful change. It just wasn't high enough on their list of priorities and often something not really understood."

In the legal industry this is starting to change, according to Flanagan. There is a growing respect for the need for seamlessly integrated technology around

content to support integrated business development and marketing functions. "But accountancy firms from my experience of talking them are definitely not ahead of the legal industry when it comes to this," he says.

Apart from major pitches to new contacts, audit rotation rules are only increasing the importance of exceptional pitching for this mainstay of the accountancy firms' service offering and yet many are not investing as much time or resource into this area of their business as they are with business applications, finance and HR systems or CRM, for example. "This leaves the field open for other innovative firms to come in with fresh technology, creating brilliant pitches and steal the client away."

► Who We Are!

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► How Did We Do?

The Legal IT Insider team would like to thank our Accountancy Tech Report distribution partners Tikit & DocsCorp, who have kindly agreed to distribute this report to their accountancy customers on behalf of Legal IT Insider.

This is our inaugural report on the accountancy sector, which is now firmly under our microscope thanks to its ever-increasing relevance to the legal sector. Given that it is new territory for our editorial team, we would particularly welcome any suggestions or guidance on further editorial themes, topics and technologies that you feel would merit more analysis.

Please can you contact Jeremy.hill@liti.co.uk if you would like to discuss this further or call him on +44(0)7973 483131.

We would love to hear your feedback on the above report, its relevance and whether you enjoyed reading it!

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