The CPA "brand" will differentiate us from the competition.

Who Are We As a Profession—and What Must We Become?

BY ROBERT K. ELLIOTT

Election to chairman of the board of the AICPA is a great honor: It comes by vote of my peers, which means a great deal, and it puts me in the company of past chairs. Election to such a post is a rare privilege, providing a unique opportunity to serve the profession. That's a high obligation, but knowing every one of you feels the same way about your position, and that we are all in this together makes it easier.

Turning to the great business of our Institute, I will share some thoughts about our challenges and opportunities.

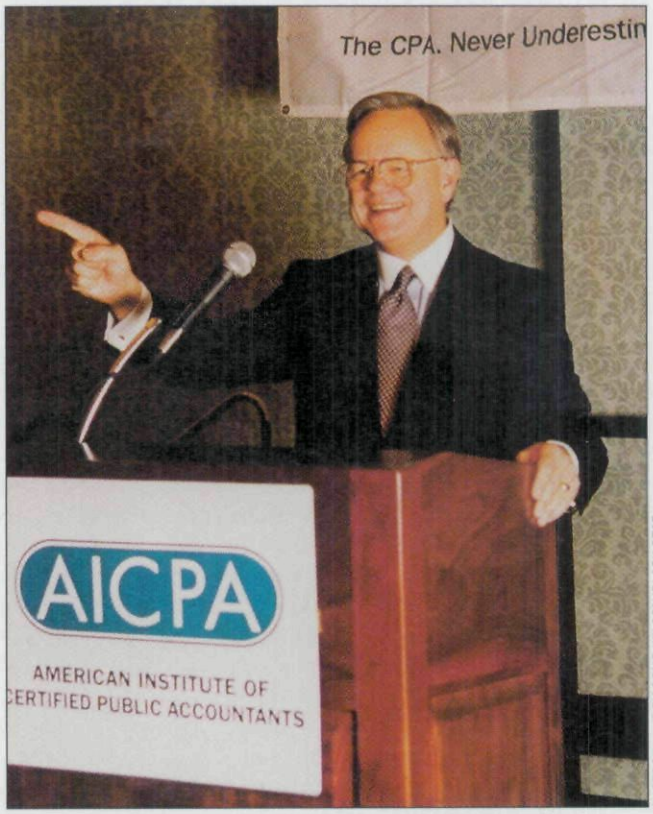
First, I'll ask you to summon up a mental image: that of a human being with no nervous system. You are probably envisaging an inert blob of protoplasm, entirely powerless to perceive its environment or to act with purpose. The nervous system is what converts that protoplasm to an effective human being.

Well, an accounting system is the nervous system of the enterprise that permits it to perceive and act. It converts an inert bundle of assets to a working enterprise.

We accountants have been the people who designed and operated these enterprise nervous systems—systems that at the micro level permitted the achievement of enterprise objectives and at the macro level permitted the mercantile, industrial and post-industrial revolutions.

Our technology for doing so was at once brilliant, effective and efficient. The system involved a double entry for each exchange with the outside world, representing the

In his first address as chairman of the AICPA board of directors, Robert K. Elliott told the AICPA council he sees CPAs of the future as the people who help individuals and organizations through the strategic use of information systems.



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AICPA Board Chairman Robert K. Elliott envisions a profession that will leverage its vast array of skills to take a premier place in an information-driven society.

benefit and the sacrifice to the enterprise. That information was laboriously and expensively captured, and once we obtained it we collected no further information—only analyzed and reanalyzed that information into balance sheets, income statements and other reports.

Now, collection of fresh information is cheap, but we still adhere to the old accounting model which implicitly assumes information is costly. As a result, we have lost control of the enterprise nervous system to other information professionals who do not share that assumption.

We CPAs need to converge with these other information professionals, just as information technology is causing computing, communications and content to converge. As information technology permits enterprises to better create and use information and knowledge, the competitive marketplace *demands* it. In the future, the winners and losers among our clients and employers will be determined principally by their capacities to create and use knowledge—that is, by the "bandwidth" of their nervous systems.

Our challenge—and our opportunity—is to be the principal agents by which this is accomplished. This is not a new role—it's what we've always done. But technology alters the tools and competencies, speeds the process and magnifies the efforts. The question is whether we can transform our profession to realize this opportunity.

What I've described is captured in our Vision. And it was captured by thousands of our members, who spoke their minds in future forums all around the country.

So I want to explore, Where will the Vision take us? Who are we becoming?

I want to remind you first that practical people created the Vision for practical reasons. We should always keep in mind what drove them to set us on a path that could mean tremendous change.

Software threatens to diminish some of our traditional services. It makes compliance work in tax and auditing less labor-intensive, but eventually

"I foresee that CPAs will understand the risks and opportunities of the global economy and profit from the international services."

might replace work done by CPAs. Over the long term, businesspeople and others are not going to pay a CPA to run software they can run themselves. Already, business accounting is done by software to a far greater degree than in the past. It reduces the need for managerial accountants and makes inroads on the need for compilations. Competition from nonCPAs has become more intense and promises to grow. If banks can apply credit scoring, as some now do, they can also turn to some form of automated auditing to satisfy themselves about the financial capabilities of aspiring borrowers.

Services can be rated by their potential remuneration, and the future does not look promising for many accounting and tax services as future revenue producers. The marketplace seems to place less value on compliance work and data gathering than on advisory assistance. Every branch of the profession must consider probable demand for its services in the world 10 and 20 years from now. What will corporations need most from their managerial and outside accountants and, therefore, value highly? What will governments and other not-for-profit organizations prize most from their accountants or other information experts? What will governments need to learn from accounting professors?

The message is clear that the profession needs to reinvigorate its service offerings. Even in the current remarkable business cycle, with CPAs making good money, we cannot ignore the long-term risks the profession faces. But the potential revenues from new services are even stronger incentives than the risks. The profession couldn't have fashioned a marketplace any richer if it had free rein to do all the fashioning itself.

We must take the steps needed to realize the Vision. Five are imperative:

1. We must continue to develop new services.

2. We must reform pre-entry and continuing education to prepare members to take advantage of the opportunities in the marketplace.

3. We must create a Web-based Institute, one that becomes a knowledge hub for the profession.

4. We must market in order to increase demand for the profession's services and to make the profession consistently preferred to its competitors.

5. We must strengthen our feedback loops from the marketplace to assure that we continually adapt our service offerings and quality to client and employer needs.

We have made progress on each of these imperatives—more in some instances than in others but, in every case, the largest portion of the task lies ahead.

Where will the Vision transformation take us?

It will take us to a new relationship between the AICPA and its members. Actively developing services and helping members adopt them is a new role for the AICPA. The AICPA once controlled accounting standards and still controls auditing standards. It has defined standards for compilations, reviews and nonaudit attestations. It has provided guidance on practice management and courses to upgrade skills and knowledge through CPE. But ongoing new-service development is a new role. And since the AICPA is a voluntary organization, it is a role members, as well as AICPA staff, must take on. Stronger bonds will be forged within the profession as members contributing their time and expertise develop new services and the

guidance to help other CPAs bring them successfully to market.

I foresee the whole process taken to a new level when we create a fully Web-based profession. The Institute has done some wonderful things with its Web site. The Center for Excellence in Financial Management provides members with knowledge, contacts, Institute products and other resources. But a fully Web-based profession will go much further. Ideally, each member will be able to provide the resources of the whole profession to meet any client's or employer's needs anytime, anywhere—there will be rivers of feedback loops. Response times for developing services and service tools will make what we do today (in terms of speed) seem glacial by comparison. The Web site will be user friendly, and it will be a constant resource, never for long relinquished during a CPA's work. The Web-based profession will be more tightly bound by sharing and communicating than it is today.

I foresee CPAs' being fully able to identify the needs of their customers and potential customers. It doesn't matter whether the customers are clients, employers or students. Customer needs, more than anything else, will determine the value of what we offer. Individual firms can then tailor existing services or determine the costs and benefits of developing new ones; they must know when to gear up to provide a service developed by the AICPA. There may be markets for every AICPA-developed service across the profession as a whole, but no service is right for every firm in every local market.

I also foresee that CPAs will understand the risks and opportunities of the global economy and profit from new international services. The days of a growing American economy substantially insulated from the rest of the world are long gone. Economic connections abroad are multiplying. It's widely accepted that interdependency among nations must be ongoing if world economic growth is to be strong. Some money markets are global, and equity prices on different national exchanges affect one another. The economic dislocations in Asia and Russia, which are still playing themselves out, increase pressure for what is called transparency. Governments and international organizations—including the IMF and the World Bank—complain about the quality of accounting and auditing. Meanwhile, some people ask whether national differences in accounting standards are nontariff trade barriers. Like it or not, accountants have made it into the global economy by having, at least, a recognized role. Now is the time to make it in added revenues.

New and improved services resulting from changes in international economies already have precedents. The multinational audit and the accounting problems of cross-border transactions each go back some time. Some CPAs specialize in expatriate taxes; others have helped build transoceanic corporate computer networks. Accountants help foreign nationals set up businesses in the United States and help U.S. businesses set up branches abroad. These precedents should be prototypes for future services.

I foresee a CPA "brand" that differentiates our members from the competition in information services and consistently attracts business. Our advertising campaign has already helped improve the image of our members in the marketplace, but branding is a subtle and complex game—one where hard questions regularly must be asked. Everyone in the profession knows the CPA credential originated in licensing primarily intended to protect the public from faulty audits. Yet the profession—our membership—stands for so much more—from tax to systems work and from WebTrust to financial planning and strategic consulting. In other words, there's a discrepancy between the brand we advertise and its formal meaning. With the projected growth of services, the discrepancy may grow. It makes no sense to advertise our brand without intensely scrutinizing what it means, how the meaning is changing and how we can make it more powerful.

"CPAs will identify and deploy knowledge needed for strategic planning and investments, for marketing decisions, for measuring effectiveness—all this and more."

What will emerge is a brand that unites and distinguishes our members as never before, a brand that calls to mind distinctive expertise, professionalism, trustworthiness and unbreachable integrity. Nothing less would be consistent with our Vision statement, and nothing less in the way of ethics and professionalism would be consistent with the traditions we have built and take pride in. We have no choice if we wish to succeed; if we stray from our public-interest traditions, we will not realize the Vision. That is why the Vision states our core values of integrity and objectivity without equivocation.

I foresee a time when CPAs will be experts in all phases of leveraging information. To my mind, this is a generic idea. It means using information as a tool to solve problems and otherwise achieve objectives. Traditional accounting does this by enabling better investment and managerial decisions to be made. But I am talking about a much wider range of information leveraging. The basic ingredients would be broad business knowledge, analytical power and expertise in what I'll call "knowledge science."

You may well say that all decision makers use information to solve problems, even if they don't use fancy terms like "knowledge leveraging" to describe it. That's true. What I foresee is that CPAs will be able to leverage knowledge so much better than others and will add so much expertise in information skills that decision makers

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will greatly demand those CPA services. The combination of skills and degree of expertise will be unique.

Knowledge leveraging will shape a wide range of CPA services. CPAs will be able to identify relevant information and its sources, perform modeling, devise and apply performance measurements of all kinds, design systems to obtain needed information, advise on controls and security and otherwise ensure information's relevance and reliability. CPAs will identify and deploy knowledge needed for strategic planning and investments, for marketing decisions, for monitoring internal and external conditions, for conducting daily operations, for maximizing the productivity of employee behavior and for measuring the effectiveness of operations, personnel and processes. All this and more.

What I've sketched will require new skills and educational reform, but it will also build on skills CPAs now have in hand. Just consider the array of skills CPAs have. They go way beyond traditional accounting and auditing and taxation, way beyond what is required to pass the CPA exam. The plain fact is that CPAs, in adapting to the world in which they find themselves, have acquired many information technology, measurement and advisory skills—none of which are officially recognized as uniquely owned by them. The skills are by no means uniformly spread throughout the profession. And they are not all being taught consistently in accounting programs. But some blend of those skills, with others, will make the future CPA ready to meet market demand for knowledge leveraging.

I foresee that CPAs' efforts, together with the work of our members in the academic world, will redefine the body of knowledge that is the *de facto* stamp of an accounting professional. Every profession is defined by the body of knowledge that differentiates it from nonprofessionals and from other professions. There has always been some jostling at the boundaries between professions. Where does medicine end and pharmacy or nursing begin? Where are the boundaries between psychiatry, psychology and therapeutic social work? Closer to home, where is the boundary between law and a CPA's tax work? Where does attestation end and product testing begin?

So a little fuzziness at the boundaries of a profession's body of knowledge is in no way troubling. What is important is that the body of knowledge successfully establish a claim to expertise deserving recognition as a profession. Changes in a profession's body of knowledge are to be expected. Making necessary changes takes thought, imagination, a mindfulness of traditions, good sense about what is possible and awareness of the public interest. We have those qualities now just as the forerunners in this profession had them.

A definition of accounting that captures more of what accountants actually do, and can do, goes like this: Accounting is the information infrastructure necessary for an organization to achieve its objectives. Obviously, that has some breadth. It embraces what I call knowledge leveraging and includes our traditional work. I see the CPA of the future as a person skilled in information leveraging, someone who helps individuals and organizations achieve their objectives through the strategic use of information and information systems.

What I have foreseen implies much change—indeed, tidal changes that may rip apart many of our traditional beliefs and structures.

Some will point to our traditional ethical precepts and ask whether we should resist change to protect professionalism from commercialism.

Our ethical roles, however, are not ends—they are means. The end we seek as a profession is to equip decision makers with high-quality information.

Major decisions are based on the information we provide or audit, and the influence of our work is enormous. To provide irrelevant or unreliable information is to cause bad decisions and, therefore, bad outcomes. We are always mindful of the enormous responsibility in all that we do as accountants and auditors.

WORTH REPEATING

The necessity of avoiding adverse consequences provides us with moral imperatives: We must do nothing that obstructs our obligation to provide high-quality information—that is, information that is relevant, reliable and timely. To repeat: Our ethical roles are only means to achieve that end and are not sacrosanct on their own account.

A cautionary tale may be in order. The medical profession, faced with forces of technology, changing social needs and values and a potential rearrangement of the health care paradigm, preferred to cling to its old values. The American Medical Association tried to hold back the hands on the clock. But it could not resist those forces. Change came. But it did not come on the AMA's terms, and the AMA lost influence and membership. Today's doctors are no longer independent professionals—many are hourly workers in health care conglomerates.

We CPAs are fortunate to have a strong and representative AICPA. Our members, acting alone, cannot reshape their environment. They can do so only by acting together, and the AICPA is their—our—only effective vehicle.

For our profession to realize the great opportunities within its reach, we must have a clear goal, sufficient resources and effective leadership. Let me restate that more precisely: We must have vision, power and courage.

We certainly have the vision: Our members have provided a powerful, forward-looking Vision.

And, as a profession we have the power, because the half-million CPAs in America produce nearly one percent of the total value added in our economy.

So the vision and the power emanate from our colleagues. But much of the courage must come from the leadership. I believe we have it. I believe we'll succeed. And I look forward to working with you to achieve that success.

For a report on the proceedings of the fall meeting of the AICPA council, see Inside AICPA, page 101. ■

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