

Accounting for Today and Tomorrow

An Exploration of Chartered Accountants' Current Issues and Forecasted Opportunities (Greater London Area)



One of Lerner's LLP
Industry and Profession White Papers

LERNERS



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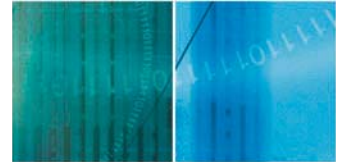
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1. Background

Who should read this white paper?

This white paper is intended for anyone interested in gaining a better understanding of the current and future issues facing CAs. Likely audiences include the following groups:

- CAs in public/private practice (particularly in the Greater London Area)
- CAs in public/private practice (in small to medium urban centres)
- Professionals who work with CAs
- Professionals who target CAs as sources of referral business
- Businesses that target CAs as a source of revenue
- Students considering/pursuing a career as a CA
- CAs in public/private practice (in large urban centres)

What will you know/be able to do after reading this white paper?

The insights captured in this paper will help CAs to benchmark themselves against their peers and better plan for the future.

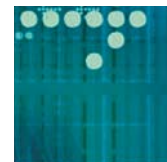
By identifying CAs' current and forecasted opportunities and challenges, this white paper will help to identify areas where businesses and individuals can:

- Work more effectively with CAs; and
- Provide relevant services and products to CAs.

Why is it important to explore this profession?

CAs experience a series of challenges and opportunities that are unique to their profession. The ways CAs tackle and overcome these issues provide lessons to the CA profession as well as to other related professions and industries. This white paper - a collection of CAs insights and opinions - starts to shed light on some of the current and future issues.

CAs in small and medium-sized urban centres experience a blend of large urban centre demands (i.e. high billable hours, profitability, recruitment, etc.) and smaller centre demands (e.g. high community involvement, work to non-work balance, etc.). The ways that CAs resolve these often conflicting demands can be a model for professionals throughout public and private firms across industries.



Why is it important to focus in on this region?

South Western Ontario – of which the Greater London Area represents a major portion – has close to 3,800 CAs (including public practice, private practice, government and retired). Within Ontario, this one region is only second to Toronto in the number of CAs and therefore represents one of the areas most CA populated regions in Canada.

At the heart of this region is the City of London which appears to be poised for economic growth as well as for the continued development of a safe, clean and healthy community. Some of the investments that suggest this City (and likely surrounding areas) will experience growth include:

- Continued involvement in a Federally and Provincially supported Superbuild infrastructure program;
- Continued commitment to significantly increase tax supported capital spending over the next three years;
- Investment in municipal initiatives (e.g. John Labatt Centre and Central Library);
- Maintaining a superior credit rating from Moody's Investor Services – reflecting an emphasis on capital reserve fund financing combined with maintaining modest debt levels;
- Continued investment in public partnerships with major health facilities and educational institutions (e.g. London Health Sciences Centre and the University of Western Ontario).
- Planning for the implementation of a multi-million dollar Recreation Services Strategic Master Plan to ensure recreational facilities are accessible and affordable.

How was this white paper researched and written?

Lerners LLP invited a cross-section of CAs within the Greater London Area – representing private practice and public practice, including small, medium and large firms – to share their insights on current and future issues facing CAs.

This white paper is a mixture of opinions and forecasts. Because of the diversity of opinions solicited during the discussion, efforts were made to capture the full scope of opinions rather than to create consensus. However, to ensure that this white paper is easily read and practical for CAs and other interested audiences, the insights are organized by issue. CAs who contributed their insights into this white paper include:

Accountant Name/Firm: *John Craven (London Life)*

Accountant Name/Firm: *Glenn Hardman (Neal, Pallett & Townsend)*

Accountant Name/Firm: *John Sliskovic (Ernst & Young)*

Accountant Name/Firm: *Monty Smith (BDO Dunwoody in Stratford & Woodstock)*

Accountant Name/Firm: *Todd Van Rees (Hatherell, Carey)*

Facilitator: *Robert Gold, Bennett Gold Chartered Accountants (Toronto)*



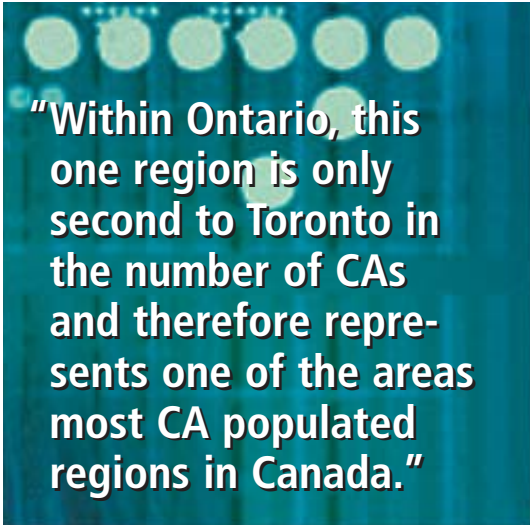
Why is Lernalers LLP involved?

Lernalers LLP has facilitated the development and distribution of this white paper for three key reasons:

- Lernalers LLP values helping CAs and other professions/industries articulate their critical day-to-day and strategic issues by lending additional objectivity and a different perspective.
- Lernalers LLP is committed to continuously improving relationships with CAs and other professionals/industries. Since the basis of a strong working relationship is a deep understanding, Lernalers LLP is devoted to maintaining and establishing effective means to ensure on-going learning about CAs and other professionals/industries.
- Lernalers LLP successes and reputation with key business/community leaders uniquely positions the firm to anticipate, identify and leverage trends that will lead to exciting opportunities for CAs and Lernalers LLP professionals to collaborate effectively and profitably.

Who owns this white paper?

This document belongs to Lernalers LLP. However, Lernalers LLP encourages excerpts to be printed and shared as long as this document is properly referenced. To receive hard copies or CD-Rom versions of this white paper, contact Andrew Brown at Lernalers (416.601.2368) abrown@lernalers.ca or Donna Lindquist (519.672.4131.ext. 5364) dlindquist@lernalers.ca.

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“Within Ontario, this one region is only second to Toronto in the number of CAs and therefore represents one of the areas most CA populated regions in Canada.”

2. Executive Summary

Today and tomorrow success for CAs means accomplishing a combination of several often competing goals some of which focus on the effectiveness of chartered accountant's internal business operations and others on achieving individual and firm growth.



Achieving Success

Achieving success means CAs need to tackle several issues including: current perceptions of the CA profession; working effectively with other professionals; carving out a role in shaping critical policies; addressing region-specific and day-to-day work issues; and anticipating and planning for future challenges.

Challenges and Opportunities

CAs are finding themselves increasingly perceived as a provider of a commodity rather than a provider of important insights. As a result, people and businesses “shop the market” looking for the lowest price and do not seek to establish or maintain long-standing relationships with CAs.

CAs choose to work with professionals who have a relevant track record – meaning those with a strong history doing similar work as well as experience in the client's specific industry. And, just like clients want to be foretold of potential opportunities or challenges, CAs want their professional partners to anticipate their problems.


In addition to addressing issues common to all CAs, a number of challenges and opportunities are unique to the Greater London Area. Opportunities include working with family-established businesses that have surpassed the “high-risk” business years and those in the biotechnology, information technology and medical research industries. Challenges include those long-term strategic and short-term day-to-day issues associated with an exodus of client-head office and an exodus of students and professionals. These challenges span human resources, marketing, administration and technologies.



2 CAs Future

CAs forecast their futures to include addressing a number of expensive challenges in: office efficiency; staffing; knowledge management; security; new services; new markets, firm development, traditional work and working with professionals.

Tremendous opportunities exist for CAs to work with Leners LLP – a firm with a long history of working successfully with chartered accountants – to address long-term short-term challenges critical to continued success and growth. Several joint activities with Leners LLP could be initiated to help CAs address key current/forecasted strategic issues. At the same time, Leners LLP can work with CAs to help them shine with their clients on day-to-day challenges.



“CAs are finding themselves increasingly perceived as a provider of a commodity rather than a provider of important insights.”





3. Current Challenges and Opportunities for Chartered Accountants (CAs) in the Greater London Area

Success is...

Before unearthing the challenges facing chartered accountants, a core question needed to be answered: “What is success for chartered accountants in today’s world?” The responses revealed that for CAs to consider themselves, their business and their profession successful meant a wide variety of things not uncommon to high-achieving professionals. Most notably, success currently means accomplishing a combination of the following:

- Providing clients with an increasingly superior quality of work
- Hiring the right people
- Managing staff in ways that are cost-effective, efficient and respectful
- Conducting interesting client work
- Adding value to clients by offering new and innovative services
- Achieve a healthy balance between the demands of work and life outside of work
- Generating a reasonable income

Achieving these measures of success depends on a number of areas that are explored in the sections below, they include:

- Current perception of CAs
- CAs working with other professionals
- CAs role in shaping policy and working with regulatory agencies
- Opportunities and challenges unique to working in the Greater London Area
- CAs day-to-day work issues (including Human Resources, Marketing, Administration and Technology)
- Forecasting CAs future

Current Perception of CAs

CAs, like other professionals such as lawyers, doctors, consultants and financial experts, have historically been regarded as highly valued advisors. However, with changes in legislation, pricing and competition, tasks usually associated with CAs have been integrated into other, typically less expensive professions. The result: CAs are finding themselves increasingly perceived as a provider of a commodity rather than a provider of important insights. This is reinforced by CAs traditional way of pricing their work – by hour as opposed to by the more elusive measure of “client value”. As a result, people “shop the market” looking for the lowest price and do not seek to establish or maintain long-standing relationships with CAs.





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One response to this trend is for CAs as a profession to take steps to re-establish themselves as trusted business advisors – where their insights are valued. Another approach would be to accept the “commoditization” of the profession and operate/market firms accordingly – in essence creating a profession of “H&R Blocks”. Of course, the nature of the work, the volume of the work and the profit margins would be vastly different under this CA model.

In contrast to this trend towards reducing CA’s work to commodities, more sophisticated clients do indeed understand their CAs’ value. However, this opens up a different series of demands – most common being the demand for CAs to foresee challenges and bring them to client’s attention in succinct, jargon-free, relevant and timely ways.

Finally, in this mix of current perceptions of CAs, most members of the general public do not understand or appreciate the difference between CAs and CGAs.

CAs working with other professionals

CAs have long recognized the need to work with other professionals (e.g. lawyers and consultants). A successful working relationship with such professionals is based on trust; trust that the professional will serve the client in a way that will not jeopardize the client’s relationship with the CA. To ensure that their clients receive exceptional service, CAs choose to work with professionals who have a relevant track record – meaning those with a strong history doing similar work as well as experience in the client’s specific industry. Such industry and work experience also reduces the risk of having to switch professionals mid-stream – which can be time-consuming, expensive and frustrating for the CA, professional and client.

As much as CAs want to work with professionals who have the experience to serve clients well, CAs are also sensitive to the fact that some of these professionals could potentially take work away from them (i.e. tax lawyers taking work from tax accountants). Nonetheless, CAs value working with other professionals because of their ability to see client issues from different angles. And, just like clients want to be foretold of potential opportunities or challenges, CAs want their professional partners to anticipate their problems.

CAs and lawyers have great opportunities to partner on client projects as well as client-development initiatives. Historically, CAs have referred work to lawyers only when clients express dissatisfaction with their lawyers. However, CAs aren’t always looking for evidence of how clients feel about their lawyers – rather, they’re focused on how clients feel about their CAs.



“CAs who can demonstrate their understanding of these complex dynamics will build trust with these businesses.”

CAs role in shaping policy and working with regulatory agencies

Without a doubt, CAs can play a significant role in shaping policy. However, it takes considerable time to do this effectively. For CAs to be heard during policy development or review they need to be seen as expert in a particular industry or sector niche.

Working with the province’s regulatory agency can be a mixed blessing for CAs. While they have considerable, relevant and timely information to that can help in conducting work, much agency emphasis is on the issues and challenges facing the large, urban-centered firms.

Opportunities and challenges unique to working in the Greater London Area

In addition to addressing issues common to all CAs, discussions revealed a number of challenges and opportunities unique to the Greater London Area. These geographic-bound issues may also be common to other similarly sized urban centres throughout Ontario and Canada.

Opportunities

CAs have significant opportunities to work with family-established businesses that have surpassed the “high-risk” business years – the first five years where over 90% of firms fail. More often than not, these businesses need to find a successful balance between unconventional family-specific ways of operating and business practices that encourage continued growth. CAs who can demonstrate their understanding of these complex dynamics will build trust with these businesses.

Opportunities may exist for CAs who focus on three growing industries: biotechnology, information technology and medical research. As a whole, CAs (and their professional partners) who build and demonstrate competence along industry-specific lines may find themselves well poised to capture exciting new business opportunities.



3 Challenges

Exodus #1 – Client Head-Offices. Over the last 10 years, corporate head-offices have been leaving London and the surrounding areas. Several reasons have contributed to this trend, which only now seems to have slowed down and begun to show signs of reversing. The result: increased competition for CA work remaining in the region and a decrease in the variety and complexity of CA work to be conducted for clients.

Working in this environment has meant that CAs have been developing new skills and will continue to do so, including the ability to identify and pursue new sources of work. While these conditions have made CAs better listeners, better promoters and better networkers, they still have considerable work to do in the area of marketing.

Exodus #2 – CAs, Students and Staff. Because current and/or potential employees often move to the Greater Toronto Area for reasons that include higher wages, work that is perceived to be more interesting and access to a larger market, London CAs face a number of staffing and related operational issues. These include:

- Increased time and cost involved in recruiting and hiring qualified students/staff/CAs
- Increased pressure to raise salaries to draw and keep qualified students/staff/CAs
- Increased time and training costs related to turnover of staff and CAs
- Increased investments in communication technologies

More than ever, the challenge for CA firms remains developing well-articulated arguments that resonate with students, CAs and staff that entice, encourage and highlight meaningful reasons for working in the Greater London Area. To date, arguments have appealed to the desire for a lifestyle choice that includes reduced stress, lower cost of living and a close-knit community. This reasoning has become less successful over the years.



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CA's day-to-day work issues

Human Resources

CAs also face staffing issues other than those directly related to attracting and hiring staff. One of these issues concerns expectations and methods for achieving a healthy work and non-work balance. The issue seems to be particularly acute for female CA partners. Also for women CAs, the tasks of networking to build name recognition or business is often complicated by the male-female dynamic.

Administration

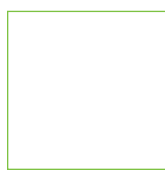
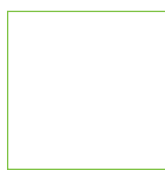
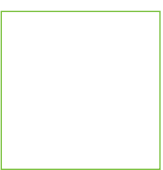
Few challenges appear in the area of administration. However, these administration issues do take up considerable time and cause grief for CAs and clients alike. First, head offices can pressure local CAs to increase their client rates without being sensitive to the different pricing scales in smaller locales. Second, CAs run into problems if they don't communicate with clients on an on-going basis to limit the surprises in billing associated with work-in-progress.

Marketing

Despite concerted efforts to build business, CAs remain restrained when it comes to building new business or extending business from existing clients. The predominant reason: CAs are busy doing what they like doing – CA work. Furthermore, pressure to keep billable hours and client profitability high means that little time or money is spent on developing, executing and monitoring well-developed and forward-thinking marketing plans or initiatives. Finally, because of reliance on existing relationships, CAs have not fully developed expertise in finding and cultivating new relationships.

Technology

CAs have yet to fully take advantage of the software and hardware technologies available to them for the purposes of service development, client management or employee recruitment. This is largely due to the fact that technological proficiency varies greatly for CAs and within CA firms – e.g. junior staff frequently know technology, middle staff have some knowledge and, in some cases, Partners have little familiarity with new technologies. Nonetheless, CAs are increasingly becoming aware of the possibilities that technologies can afford them in better finding and serving clients, professionals and staff.





4. Forecasting CAs' Future

In addition to revealing current issues, CAs applied their forecasting skills to develop a vision of their world five years from now. Some of the elements of that vision included:

Office Efficiency.

Advances in technology will continue to modify – not just reduce – the roles and responsibilities for administrative assistants.

Staffing.

Emphasis will continue to be on reducing turnover

Knowledge Management.

Databases of all kinds – clients, competitors and services – will become increasingly more important, more accessible and used more.

Security.

Security involved in wireless access will continue to challenge and concern.

New Services.

CAs will increasingly be called upon to integrate technologies into existing services and new service offerings.

New Markets.

Biotechnology, medical research and information technology will continue to open new opportunities. CAs will need to invest in strategic marketing.

Firm Development.

Succession issues will play a larger role in CA firms.

CA Work.

Because clients often don't welcome or value audits, the amount of audit work will continue to represent less of the overall work CAs do for clients.

Working with Professionals.

Privacy compliancy represents an increasing opportunity for CAs and for CAs to work with privacy-specialized and industry-specialized lawyers.

5. CAs and Lawyers – A Natural Fit

How Leners LLP can help CAs capitalize on current issues and forecasted opportunities

This exploration of key issues reveals tremendous opportunities for CAs to work with Leners LLP to address strategic long-term and day-to-day tactical challenges critical to the continued success and growth. As a professional services firm with a long history and successful track record, Leners LLP has successfully anticipated and addressed several issues common with CAs in the GLA (and in other urban centres).

CA Issue:

Rising costs of recruitment and high turnover of key professionals/staff/students

How Leners can help CAs address this issue –

CAs can reduce their recruitment expenses as well as reduce the frequency and costs associated with turnover of key professionals, students and staff by partnering with Leners LLP. Activities to achieve these goals include: joint recruitment drives, joint social and business development skills workshops and the lawyer/accountant 'buddy system' programs.

Leners LLP, who over several years has succeeded at addressing similar recruitment and retention issues, can also share best practices and insights in the areas of Human Resources procedures, policies and technologies.

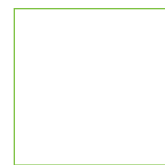
Finally, Leners LLP longevity has in part been due to a strong commitment to continuously plan for integrating and advancing new generations of professionals. Leners LLP can share these best practices.

CA Issue:

Rising costs of pursuing new clients and gaining business from existing clients

How Leners can help CAs address this issue –

CAs can increase the efficiency and effectiveness of new business development (as well as client-retention) by partnering with Leners LLP. Activities to achieve these goals include: joint client pursuits, development of joint service offerings and sharing of relevant and appropriate target information. And, because like CAs, Leners LLP is breaking ground by pursuing new clients by industry, there are several opportunities to share common insights, successes and networks.





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CA Issue:

Rising costs of integrating new technologies

How Lerner's can help CAs address this issue –

CAs can reduce the costs of adopting and integrating new technologies by partnering with Lerner's LLP. Because Lerner's LLP continues to invest in leading-edge technologies and work processes in the areas of operations, administration, human resources and marketing, CAs can benefit from the lessons learned by Lerner's LLP senior managers. Activities to help reduce CAs related technologies costs include sharing technology evaluations and training sessions.

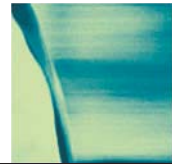
How and When CAs can work with Lerner's LLP

Lerner's LLP has a strong history serving several industries including: financial (i.e. insurance, banks and investment); retail; consumer goods; manufacturing; distribution; wholesale; transportation; real estate; and healthcare to name a few.

In serving these industries, Lerner's LLP has developed respect for and efficient methods of working with accounting professionals. The following chart represents a small sample of ways that Lerner's LLP professionals can work effectively with CAs to serve their clients at all stages of growth and development.



"This exploration of key issues reveals tremendous opportunities for CAs to work with Lerner's LLP"



5

How CAs Service Clients

Plan Business Strategy and Counsel Business Entrepreneurs.

Create relationships with banks and other sources of financing.

Conduct annual accounting, prepare financial statements, coordinate bookkeeping accounting and tax planning, preparation and filing.

Provide introductions to industry leaders/ experts.

Perform business valuations.

Review operations to minimize taxes.

Conduct due diligence examinations and assessing potential business risks.

Review management policies and procedures.

How Lerner LLP Can Help CAs Stand Out

Establish the correct legal documents based on short- and long-term growth projections.

Advise on and review trade and immigration contracts, shareholder and partnership agreements, equipment and real estate leases, dealer, supply agreements, franchise agreements and packaging/labelling.

Advise on and review security registrations, banking agreements and third-party agreements.

Conduct corporate records review – including minutes books, updating of records and filings.

Review purchase orders, written retainers and conditions of invoices.

Make introductions to extensive network of industry influencers and leaders.

Conduct legal audits relating to existing and potential claims against the business.

Provide corporate reorganization support in efforts to minimize taxes.

Advise on corporate governance issues as well as on Directors/Officers liabilities and insurance.

Conduct legal audits to identify potential exposures and contraventions in the areas of competition compliance, occupational health and safety, employment and succession contracts, recruitment practices, trademarks, patents, industrial designs, environmental protection.

Conduct legal audits on policies and procedures regarding competition and privacy compliance and human resource policies (including – employment standards compliance, and dismissal).