

TAX TALKS

Australia's Tax News Podcast - The Podcast for Australian Tax Professionals

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Accounting Futurist – never heard that term? We were the same. So we went to find out more.

Accounting Futurist

Most of us have never spoken to an accounting futurist. Most of us are not even sure what that is. So we asked Chris Hooper of [Accodex](#) in Adelaide – praised as the world's first accounting futurist.

Here is what we learned but please listen to this episode of Tax Talks, since Chris explains this much better than we ever could.

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How It Started

If you can predict the future of the accounting profession, you are in a better position than if you don't. If you can make these predictions consistently with a high degree of accuracy, still even better.

This was the starting point for Chris Hooper in his quest to become an accounting futurist. He grabbed everything he could find. Books, audio books, online courses and the lot. It started like this and Chris hasn't stopped since.

Picking the Market Leader

Predicting the future is about building models and processes. If you pick an app, wouldn't it be good to know who the market leader will be in 20 years? Because they are the ones you should partner with.

To pick the 'winner' you look at their business, the accounting profession and the app landscape as a whole. You use the same approach for picking a point of sales system for your client.

You want to pick the right app. You don't want to come back in three years, pull everything apart and redo it all. You want to pick the future market leader – the one with the best technology in the longest period of time.

Futurist

A lot of people joke about this as crystal ball gazing. But there are methodologies and approaches to doing this. Some are more scientific than others. You look at this as your battery of tools. And then you use these tools to make the most informed decisions that you could possibly make.

Benchmarking Reports

One important tool to predict future developments are bench marking reports. Bench marking reports and surveys are very easy to find in the accounting profession. In Australia go for 'The Good, Bad and Ugly Report'.

Monitoring the movements in those reports – especially their benchmark revenue profitability figures, employee figures and so – makes it easy to create a data model. All you're doing is extrapolating some of these trends. It gives you a road map. Those numbers tell a story if you have enough data and you're looking at the right places.

The Good, Bad and Ugly Report

The [Good Bad Ugly report](#) covers bench marking performance. It classifies firms into different categories – below \$500k, \$500k to \$2m, \$2m to \$5m and \$5m to \$10m. The reports then drills each of these categories down by state and regions, metropolitan versus suburbs and a wide range of other criteria. It looks at the average medium revenue, how many FTEs, fee revenue per FTE, overhead percentage and so on. The report focuses on accounting firms.

The good bad ugly report in Australia is a great source of data which you can use to actually build mathematical models to predict the future.

The Future

Chris Hopper predicts that there will be further consolidation through mergers and acquisitions within the accounting industry. According to Chris, the large accounting softwares like Quickbooks, Sage and Xero will probably acquire some of the second tier apps and integrate them into their core products.

Some apps will go out of business because they struggle to get product-market-fit or fail to close another round of funding. A lot of these companies are running at quite a substantial loss. The only reason they are able to exist is due to having been able to raise money from external shareholders. If that money runs out and the business is not profitable, then its either sell up or wind up.

This also applies to accounting softwares. MYOB is making a profit right now. Whether it will make a profit in 20 years time is another thing entirely.

But this happens to all companies in all industries. The company gets to a point of maturity – they make a good profit, they don't invest as heavily as they used to into research and development. Eventually some kid in the basement cooks up a product that blows theirs out of the water and forces them to react to external forces in the market.

According to Chris, Xero in 10 years time will be like MYOB now. They will be the incumbent. There is a high risk that Xero will get complacent. And some kid in the basement cooks up the Xero killer. This is just the way business and industry works. It is not unique to the accounting profession. It is across all industries. This is just how it is and how it has always been.

Opportunity

Technology is the greatest opportunity for the accounting profession. The profession is going through a profound change moving to the cloud. Accountants have an opportunity to step up and actually lead the change. It is going to positively influence the global economy which is something to be excited about.

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