



## **Koltin's Top Ten Sound Bites of the Year**

*The following is an excerpt from Allan Koltin's opening remarks at The Advisory Board's Winning Is Everything Conference held December 13 – 15 at the Venetian Resort in Las Vegas.*

What a year of change! If you had been frozen one to two years ago in a time machine and were just brought back to life, I'm not sure you could comprehend all the changes that have or will be taking place in our profession. The following are my Top 10 sound bites of the year:

1. This past summer, Mark Cuban (of Shark Tank fame), when asked what is the next industry to become obsolete, answered, "The accounting profession. They will be replaced by robots."
2. Barry Melancon, our fearless and awesome leader of the accounting profession, commented, "Over the next five years, up to 40% of all accounting work will be done by robots."
3. The CEO of a Top 10 CPA firm recently said to me, "We are no longer an accounting firm. We are a technology company that provides business and financial solutions."
4. A Big 4 leader said earlier this year that, "By 2020, college campus recruiting at their firm (and possibly at all Big 4 firms) will be reduced by 50%. We just don't need that many accountants anymore!"
5. Another national firm leader said, "Over 25% of all new entry-level hires today are STEM hires." For those of you who don't know what STEM means, it's an acronym for backgrounds in Science, Technology, Engineering and Math.
6. The traditional leverage model that we have (for decades) referred to as the pyramid or triangle model will be replaced by a model looking more like a diamond: few partners, many mid-level advisors and not that many entry-level staff at the bottom. The bottom line is we just don't need boat loads of junior staff any more. Instead, we need the best algorithm and technology geeks we can find.
7. The World Economic Forum estimates that AI (artificial intelligence), robotics and automation could replace up to five million jobs by 2020. Additionally, a recent study says that (and this will affect many of your children) 65% of current grade school children will have a job someday that doesn't yet exist.
8. On the M&A front, a CEO of a Top 10 CPA firm recently told me that they were done buying CPA firms. What's more striking was his reason why. He said, "They are (referring to CPA firms) dated goods, and I don't mean the ages of the older partners, but rather the traditional products

and services that they provide.” Related to that, in the world of Top 500 CPA firms, a personal observation that I see on the M&A front is that strategic planning and relevancy, not succession issues, are quickly becoming the #1 reason why successful CPA firms are also exploring upstream mergers.

9. Talk about change in the past two years, today firms have product development leaders and groups, they have Chief Innovation Officers, innovation funds, shark tanks, think tanks, and anything that drives product development and innovation. Simply stated, what got us to the dance will no longer be enough going forward. We are now in the business of helping our clients with their business and financial problems, whatever they may be.
10. Ah, but now for some really good news that should take the first nine concerns and challenges and put them in a very positive light. The 10<sup>th</sup> soundbite should not only provide great opportunities for our profession, but also serve as a catalyst that change needs to take place in our firms today.

Let’s start with the audit front. A recent survey found that businesses would absolutely pay more for an audit that included more information beyond traditional financial statements. Yes, many of the technology and AI-related changes will actually allow us to provide more information of value to stakeholders and investors, which should raise the overall value of the audit. At a time where others are predicting that audit fees could drop by as much as 50% in the next five years, I continue to be very bullish on audit, but it absolutely has to change from its present form.

Yes, let it be said we are now entering the fourth great industrial revolution. The cognitive era has officially arrived! Let’s not be afraid of it, let’s embrace it. The ability to audit everything and do it in real time is a blessing, not a curse. It will free us up to be the business and financial advisors to our clients that we always dreamed of being.

As one national firm leader said recently, let’s remember – humans will always be necessary. For things like empathy, curiosity, passion, creativity, intelligence, innovation and intuition. These things will never be automated or replicated.

***Ladies and gentlemen, the great race is on in our firms. In one corner, technology and innovation. In the other corner, human capacity to accept and adopt it. Let’s embrace the challenge. When we look back over the next couple of years, let the record book show that we went from historical reporters of the past to predictors, impactors, disruptors and major influencers of our clients’ present and future needs. All I can say is, “Bring it on!”***

Thank you.

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