

Adapting To Change

Accountancy firms are having to develop more specialisms and niche services as some of their traditional functions are commoditised, writes **Daisy Downes**

Changes in audit and accounting, coupled with technology-driven developments like the commoditisation of traditional accounting activities and easy access to real-time data, are contributing to downward pressure on the traditional fee income sources of Ireland's accounting firms. For those willing to adapt, however, these trends create opportunities to develop new and alternative revenue streams.

In the larger firms, specialisms such as cybersecurity and data analytics now augment existing risk advisory and forensic work, while smaller and mid-sized firms are looking to niche specialisms, cloud-based services and collaboration for opportunities to grow. Across the board, competition for professionals with critical-thinking and technology skills is intense, as firms adapt to the changing environment.

CYBERSECURITY

Businesses are collecting more information about their customers than ever before and the data is valuable to cybercriminals who can use it for identity theft and fraud. Grant Thornton estimates that the cost of cybercrime in Ireland is around €800m annually.

"Stories of organisations getting hacked are becoming so frequent that it's easy to believe there's no real way to avoid being the next target," says Jacky Fox, head of Deloitte's cyber and IT forensic team.

As the frequency of attacks increases, organisations are becoming more aware that there are reputational as well as financial consequences when things go wrong. Consequently, cybersecurity is moving from IT to the boardroom agenda, where it can be integrated into a business's existing risk management framework.

All of the larger accounting firms have developed specialist skills to help businesses identify and prioritise risks and protect themselves from



Jacky Fox, Deloitte

cybercrime. "It is important to protect information assets in direct proportion to what makes them attractive, to whom and the impact that losing them might have on the business," Fox advises.

ANALYTICS

The accounting firms use sophisticated tools to identify rogue activities, patterns and trends. Data analytics plays a significant role in the early warning, detection and monitoring of fraud, says Julie Fenton, a partner in EY who specialises in anti-fraud advice. According to recent EY research, organisations that invest more of their total compliance and anti-fraud spend in forensic data analytics, analysing larger data volumes and a wider variety of data sources, are reporting positive results.

But it's not only in fraud detection that the use of analytics creates opportunities for accountants. Historically, businesses craved access to real-time data. Now, the problem is information overload, with new technologies emerging at breakneck speed. From project management and business intelligence tools, to video production, data security, web publishing, social listening tools, apps and analytics, data complexity is increasing all the time.

Asking the right questions is the key to better decision-making, and as more businesses create, curate and store data in digital format, there are opportunities for accountants to analyse and add valuable commercial insight across a broad spectrum of customer, workforce, finance, supply chain, sectoral, risk and regulatory data.

Even in traditional areas like audit, sampling has given way to analysis of entire datasets, and accountants with the ability to interpret data correctly and communicate insights effectively are in high demand.

Global research by PwC last year found that companies consider data analytics their most important digital skill. Yet, only 60% of Irish respondents in the survey rated their capability in this area as 'developed', and fewer than one in five 'highly developed', compared with 40% globally.

NICHE SERVICES

Outside of the larger firms, niche services are proving an effective route to growth for some small- and mid-sized firms. Hughes Blake, a four-partner practice with offices in Dublin, Cork and Enniscorthy, has established a strong reputation for expertise in company examinership.

What's interesting in the Hughes Blake story, and something that other

firms can learn from, is how Hughes leveraged online and offline platforms to achieve his objective. He accepted speaking engagements, published 30,000 copies of a guide to the examinership process that he distributed to members of professional bodies and set up a dedicated website, which was to prove an important source of leads.

For firms that want to follow the Hughes Blake example, running seminars, accepting speaking engagements, publishing reports, writing articles and providing media comment are useful ways to raise awareness. Digital and social media platforms are also important.

In its latest social media survey of accountants, Wolters Kluwer recorded a sharp increase in blogging. Their survey of just under 800 accountants found that 36% of respondents used blogs in a professional capacity in 2015, up from 13% the previous year. Sharing knowledge was the top use for blogs but generating business was another important driver. Accounting firms are also sharing knowledge through their professional networks and on social media, particularly LinkedIn.

SUCCESSION PLANNING

Reputation and profile are important not just when winning new business but also when attracting talent and planning a firm's long-term future. You only have to look at accounting firms' multi-part names to realise that many evolved through mergers. Maintaining a high profile helps firms to catch the

attention of potential partners and can be helpful when a firm is planning a merger or acquisition, or if the partners intend to sell.

COLLABORATION

Accountancy is a collegiate profession and collaboration is well-established. The larger firms all belong to strong international networks and recognise the importance of networking in building trusting relationships. It's for this reason that they reward skills like clear communication, problem-solving, empathy and accountability.

Even the smallest firms benefit from membership of national and international networks and associations. Clients expanding their businesses internationally can get introductions and access to services from trusted professionals through their accountant's membership of these associations, while the firms themselves can share knowledge and make savings when purchasing training and other services.

DFK, a global association of independent accounting firms whose EMEA members held their annual conference in Dublin in February 2016, is one of a number of international associations of accounting firms established to meet the needs of clients with interests in more than one country.

HIRING

Across all accounting firms, competition in hiring is intense at the moment, says Ed Heffernan, a partner with accountancy specialist recruiters

Barden, who sees at first-hand how the skills that accounting firms are looking for have changed.

"Traditional practice services are becoming commoditised," says Heffernan. "Consequently, the ability to objectively analyse, evaluate and provide solutions to client issues, to rapidly adapt to new technology and systems, project-manage third-party resources and act as a catalyst for change are now a must for practitioners."

The demand for new skills is even apparent at the student recruitment level, where firms face stiff competition from the multinational tech giants. "A ramp-up in graduate intake across large firms, coupled with the credible training contracts being offered by global ICT companies, has raised the bar significantly when it comes to attracting and retaining high-calibre graduates," adds Heffernan.

Recent Deloitte research found that Google, Apple and Facebook are now the three most popular employers among business students, a significant challenge for accounting firms who traditionally depended on attracting the best students. The opportunities opening up through the digital economy, particularly those in areas like cybersecurity, analytics and cloud-based technologies, should help.

Meanwhile, it's worth remembering Darwin: "It is not the strongest of the species that survives, nor the most intelligent that survives. It is the one that is most adaptable to change."

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Views From The Top

Fee income at the Top 20 accountancy firms grew by 10% in 2014/15. Managing Partners tell **Nick Mulcahy** about the service lines and strategies that are driving that growth

PAUL McCANN

Managing Partner
Grant Thornton

Paul McCann has extensive experience in corporate finance and corporate insolvency and restructuring. The firm's fee income increased by 16% in 2014/15.

ACTIVITY Grant Thornton has invested in new service lines over the last number of years and the firm is now seeing the payback come through. Primarily, we focused on niche areas where we could lead the market, areas such as cybersecurity and media. Our media practice, headed by John Gleeson, handles over 70% of the financing for film and TV production in Ireland.

These service lines have continued to go from strength to strength for us, supporting the overall growth of the firm. Likewise, our financial accounting and advisory services have grown substantially. We now have over 100 people in the practice area, many of whom are servicing multinational clients on complex compliance, reporting and accounting projects.

The establishment of our Belfast and Cork offices has also been a critical factor in our growth. In 2015, our Cork office merged with Welch & Co, a long-established local firm, expanding our office there where we have a dedicated practice providing global compliance and technical accounting advice to our multinational and large corporate clients in the region.

Finally, our merger with RSMFarrell Grant Sparks increased our presence to eight offices and over 800 staff, with plans to recruit another 200 people over the next 30 months. Our continued growth will serve to increase competition within the large Irish firms, particularly in the areas of audit and taxation, as well as the growing market for corporate finance advisory services.

STRATEGY Grant Thornton's entrepreneurial culture has allowed us to look at M&A to build out our expertise, grow the team and our client base. It is important for our business to ensure that growth is driven by a strong mix of organic growth,



'We focused on niche areas where we could lead the market'

through the introduction of new services lines or expertise, and through mergers.

For example, last year we appointed seven new partners, five of whom were internal candidates and two who were new hires. We strongly encourage external experience to come into the firm. We have just launched a new service line, IT Business Consulting, an area of expertise that has come with the appointment of a former client to head up the team.

We are focusing on building our client base in the financial services sector in particular. Our tax experts provide both compliance and tax consulting to the industry and the team also has experienced asset management professionals. We have a very compelling offering for the sector.

OVERSEAS Grant Thornton has recently expanded its US Irish business group to San Francisco. Following several new US client wins and a growth in activity from existing

clients who have operations on the west coast, we've noticed a steadily growing need for our expertise in the region. The office complements our presence on the east coast, which we set up in 2013, and we currently work with most of the major MNCs who have based their global centres in Ireland.

OUTLOOK A stable government and policy agenda is very important for economic growth and business confidence, particularly from an international perspective in terms of inward investment. The renewed confidence has seen many American funds investing in Ireland and in Irish companies. This is also a good opportunity for Irish businesses, as there is growth in private equity firms looking at investment opportunities in the market.

Ireland remains the fastest growing economy in Europe and I firmly believe that the outgoing government reaching full term has helped.

PAUL WYSE

Managing Director Dublin
Smith & Williamson

Paul Wyse specialises in corporate finance and business advisory services.

ACTIVITY At Smith & Williamson we have over 55 years of experience working with family businesses and entrepreneurs in Ireland, and it is pleasing that our clients' financial fortunes materially improved through 2015. Our clients are more confident about the economic environment and are increasingly engaging in acquisitions and in capital projects. They are working with our team to deliver on their ambitions.

BANKS & CREDIT In terms of the banks, our experience is that while they are more active, they are operating from a very prudent base, given their experience over the recession and the bad debts they incurred. Certain sectors are still not seen as attractive for the pillar banks and players are certainly not getting any bounce. We have developed relationships with a wider range of capital sources to ensure projects



'Wealth management in Ireland has not been adequately serviced'

can get the funding they require. This gradual loosening and increasing competition is to my mind a key component of what we do.

WEALTH MANAGEMENT Wealth management in Ireland has not been adequately serviced, certainly to the levels that we believe should apply and clients should expect. All too often, advice is transaction-driven; it's more about the product than the client and advisors are often conflicted.

Our wealth management proposition is structured to eliminate the inherent conflict and to focus on the clients' needs and circumstances. In particular, we are seeing business opportunities in the pension area due to three key issues: changes in legislation, changes in the accountancy treatment of pension liabilities and the wind-down or the transferring out of defined benefit pension schemes.

Clients tell us that individual members in DC schemes are not receiving the appropriate advice. We see advice and investment management in this area as an important business opportunity.

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MIKE McKERR

Managing Partner
EY

Mike McKerr has been Managing Partner of EY Ireland since 2009, responsible for the Republic of Ireland and Northern Ireland.

ACTIVITY Posting more than 33% growth in the last two years is a significant achievement, and we are very pleased that it's all been organic growth. The momentum in our business today is down to our long-term investment strategy and the decisions we took during the downturn. For example, we did not make any redundancies but increased market activity and upskilled our people to work across new areas. This strategy has certainly paid off, and over the last two years we have admitted 14 new partners and have recruited top talent across experienced and graduate hires.

We continue to see robust growth in our core audit services in addition to strong demand for broader assurance services, including data analytics and Fraud Investigation and Dispute Services (FIDS), which grew by more than 40% in FY15. Change continues to be a key focus for our domestic and international clients, driven by both the need to control costs and remain competitive, but also to ignite growth and penetrate new markets.

The Performance Improvement team alone now employs over 200 people working across public and private sector clients, improving key business functions to achieve significant and sustainable improvement in enterprise-level performance.



'Change continues to be a key focus for our clients'

AUDIT MARKET EY had several fantastic audit wins in FY15, and collectively our audit and other assurance services grew by 16%, which reflects the significant investment made globally and locally to innovate our

audit service through the use of analytical tools. Audit rotation will continue to alter the audit market for some years to come and we believe innovation and data analytics solutions will be in increasing demand.

MID-MARKET Our ability to collaborate internationally helps both multinational and entrepreneurial clients expand across borders. Change continues to be a key focus for EY clients of all sizes, driven by both a need to control costs and remain competitive, and to ignite growth and penetrate new markets. We can transfer our expertise of working with large multinationals to Irish SMEs, focusing on improving key business functions to achieve significant and sustainable improvement in enterprise-level performance.

OUTLOOK A number of factors have contributed to the economic growth that Ireland has enjoyed in recent years - among them is confidence and having a stable government in place. During 2016, we expect to see a strengthening domestic economy, and continued export growth that further enhances business confidence.

In a recent survey of our Entrepreneur of the Year community, over half of the entrepreneurs surveyed said that they have done business with other members of the EOY community, demonstrating the importance of professional networks in creating a supportive climate for doing business in Ireland.

It is vital for government, industry and academia to understand the specific challenges facing entrepreneurs, and to collaborate to solve problems, address legislative and cultural barriers to success, and together shape the future of entrepreneurship in Ireland.



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MARK KENNEDY

Managing Partner
Mazars

Mark Kennedy has been with Mazars for over 20 years and was head of the Audit & Assurance practice before being appointed Managing Partner in 2015.

ACTIVITY There is an economic growth element which is definitely visible, and where you would see that particularly is in areas of the business like audit, SME advisory and outsourcing. On top of that our consulting division has undertaken some large projects both in and outside Ireland in recent years. For example, our financial services consulting team has been working on some very large international projects over the last two years. That's more down to our positioning than an Irish economic growth story.

The other area we have worked very hard on is financial advisory on the insolvency side. We have been very successful with the domestic banks, but the loan acquirers were new to the market and we had to prove our credentials with them. If you go back to 2007/2008 when the crisis started, we were fortunate to have people like Simon Coyle and Tom O'Brien who are well known in the insolvency sector. But we weren't focused on the area at the time, so we started building up the insolvency team.

DIFFERENTIATOR Client service is probably our key differentiator. All firms will say we value our clients but I think when you are in a very large firm there are policy decisions about how you treat certain things. We pride ourselves on looking for practical solutions for



'We look for practical solutions for mid-market clients'

mid-market clients. A very high degree of senior level interaction is the other thing that we have always emphasised in our culture. There is more hands-on engagement here with partners and directors than in some of our competitors, and I think that gives people a positive perception of the firm. Word of mouth is how we win most new clients.

AUDIT My view is that audit, assurance and regulatory is one of the most exciting business areas at the moment. Regulatory changes will be good for competition and provide better solutions for clients and better protection of the public interest. In a number of countries there has been a recognition that joint audit is a good thing, and I would certainly favour a lengthening of the rotation period if it were twinned with a joint audit approach.

We have a number of significant clients where we joint audit with firms that are bigger and smaller than us. The joint audits with smaller firms are really interesting because we find we can make that relationship work well, and the feedback from clients is very good.

CORPORATE FINANCE We have strengthened our corporate finance team by hiring John Bowe. We felt the division needed some impetus and we're looking to build up the offering over the next year or two.

OUTLOOK I subscribe to the idea that things go in cycles. So when I look at the fundamentals I see some vulnerability in the economy. That said, our clients are starting a lot of good projects and regulation will continue to boost demand for our services. So overall I'm cautiously optimistic.

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MICHAEL COSTELLO

Managing Partner
BDO

BDO has 500 professionals in three offices across Ireland. Prior to becoming Managing Partner in 2014, Michael Costello was head of the Audit division. He ran his own practice for a decade before joining BDO in 2004.

ACTIVITY In the mid-market our tax offering is without doubt the strongest, and tax is a business area that continues to grow for us. We also have a number of specialisms

'We work best with ambitious entrepreneurial clients'

including private clients, outsourcing, and risk and advisory services, and each is performing strongly.

Our focus on mid-market companies with ambitious growth plans is precisely why our clients keep coming back to us, and it is something we are hugely proud of. At BDO, we support and service some of the world's biggest companies and also some growth-focused smaller indigenous ones. We have the largest number of audit clients from Ireland's top 1,000 outside of the Big 4. The commonality among them is their ambition. At times we compete for clients with the four largest firms, but our offering is different, in particular the level of expertise that clients will have direct access to if they choose BDO.

IDEAL CLIENT We work best with ambitious entrepreneurial clients whose primary focus is on growing their business.

We look for clients that value their advisor and take a long-term approach to the relationship. As a partnership, that is our mindset at BDO, and it is one that has served us and our clients well.

FUNDING BDO manages two separate funds in this space, both aimed at growing companies. The Davy EII Tax Relief Fund has raised over €141m and invested in over 150 Irish companies. The BDO Development Capital Fund provides growth capital for established, mid-sized and profitable companies to support and accelerate their export growth plans.

This expertise and understanding complements the skills of our corporate finance offering and allows BDO to have a unique position in funding. No other accountancy firm has this breadth of skills and credentials in this area.

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BRENDAN JENNINGS

Managing Partner
Deloitte

Brendan Jennings has been with Deloitte since 1981 and has been expanding the firm both organically and through acquisition in recent years.

ACTIVITY We have invested significantly in our business by adding complementary and new capabilities. Examples include the merger with Kavanagh Fennell into our corporate finance department, while the Leyton acquisition has formed a unique blend of tax specialists and range of engineers and software specialists to provide a holistic R&D offering. Most recently the acquisition of System Dynamics bolstered our consulting offering. These are having an impact in the marketplace and delivering results.

We have also had a strong focus on fostering innovation and investing in our servicing offerings. Our significant analytics capability, digital skills, and proprietary technology tools are leading to increased efficiencies and insights in many of the services we provide right across our business, from audit to tax and beyond.

The general pickup in the economy has also seen big increases in demands for a range of services - from technology consulting, M&A, debt advisory, and cybersecurity services, amongst others. We recently opened an office in Galway, which increases our ability to service both private Irish businesses and multinationals in the West of Ireland, and is a sign of our commitment to the area.

STRATEGY Acquisitions will continue to be



'Acquisitions will continue to be an area of focus for us'

an area of focus for us over the coming years, and as a multidisciplinary business we are interested in opportunities that are adjacent and complement existing service offerings, right across our business. Any acquisition must be effective in achieving scale in the service offering. Our consistent goal at Deloitte is to be leaders in professional services, and any M&A activity must serve that purpose.

The nature of professional services firms is that our clients need and expect a broad range of skills from their service providers. This reflects the growing complexity of their businesses and the global marketplace in which they operate. What's more, they expect to have a connection with their providers that serves their business on a holistic level. Against this landscape, adding complementary skills will be an important part in meeting these client needs.

AUDIT MARKET Audit services are core to our business at Deloitte. Our expertise and industry-specific experience, coupled with proprietary smart technologies and analytics, deliver a distinctive audit experience.

Just recently, our commitment to leading

the profession in global audit quality has been recognised with International Accounting Bulletin's 'Audit Innovation of the Year' award for the development of leading-edge tools to transform audit service delivery. This award was testament to our applications which employ advanced technologies, artificial intelligence and analytics capabilities to improve audit quality and streamline audit processes.

OUTLOOK Encouragingly, in the most recent Deloitte European CFO survey, the level of uncertainty amongst Irish CFOs was at one of the lowest levels when compared to their European counterparts. Even more encouraging is the finding that Irish CFOs are the most optimistic in Europe.

Certainty is important for businesses - they need to be able to plan as effectively and as confidently as possible. In an environment that has many variables, anything that may cause unnecessary uncertainty is of concern. In that regard, a stable government that maintains a prudent approach to the economy, and contributes to building a progressive environment for business growth, is important.

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