Technology Lessons From Coronavirus Pandemic

Firms Embrace Technology, Prepare For Tax Change

By FRED GRIER

For more than a decade, some accounting firms resisted shifting their critical data and IT systems to the cloud. And even fewer firms had empowered all of their employees working remotely at the same time.

That all changed when the global pandemic took hold in 2020. The stay-at-home orders and quarantines forced many firms to figure out how to remain operating when no one could go to the office. And, in many cases, the changes had to be made overnight.

The San Diego Business Journal had a chance to discuss accounting trends involving shifting to a work-from-home environment, experiencing digital transformation, as well as preparing for changes in tax law with several of the region’s top finance professionals.

Digital Transformation

Firms that invested in technology enabling the business pandemic had an easier time moving into remote work, said Juli Moran, San Diego marketplace leader at Deloitte, who was newly appointed to lead the largest and fastest-growing professional services firm in January.

“Those who invested in technology prior to the pandemic had an easier time moving into remote work,” said Moran. “We experienced no lack of delivery and quality. It’s a testament to our clients’ resilience and the technologies that we have employed over the last couple of years.”

Jerry Varga, office leader at RSM in San Diego, said his team has transitioned smoothly to working remotely. Although, it has been difficult to cultivate and develop new personal connections as well as deepen client relationships, Varga said. “The mental shift has been more challenging than the actual ability to work from home,” said Varga, managing partner of the San Diego office of Ernst & Young. “It is a business mandate that will only continue to grow and be a priority post-pandemic.”

Industries Impacted Differently

The pandemic tested the financial sustainability of public companies, forcing even healthy ones to manage cash amid slumping sales, social-distancing expenditures, and disrupted supply chains.

Michael Green, managing partner at Baker Tilly, said, from a life science industry standpoint — without downplaying the horrible situations caused by the coronavirus — the overall life science industry has favored fairly well. “In San Diego, whether it’s a vaccine, the therapeutic or the diagnostic side of things, both clients and non-clients have been able to raise funding last year,” said Green. “From venture funding to IPOs to PIPE offerings. There’s just been a lot of money raised in the life science space both in San Diego and outside of the region. It’s been very good for the industry.”

Jamie Mason, managing partner at BDO USA’s Carmel Valley office, said not everyone in all areas are experiencing the same impacts of the pandemic.

“Historically, manufacturing industries and cities in the Midwest are struggling a little bit more. On the coasts we’re doing pretty well, because we’ve got a pretty heavy technology and life science presence, which have been doing extraordinarily well throughout the pandemic.”

“Some industries have done very well and others have been horrible,” said Paul Nation, senior managing director at CBIZ MHM. “For example the hospitality sector has been terribly impacted, whereas a lot of other businesses have done well.”

“We ended up being very busy last year, after experiencing a lot of challenging moments early in the year. We ended up having one of the best years we’ve ever had with all the changes taking place and many companies needing help, with not nancing,” he added.

Pros and Cons of Remote Work

Brad Gastineau, partner at Gatto Pope and Wallick LLP, said a benefit of the work-from-home model is that it provides people a new opportunity to explore a different quality of life. “People no longer have to be tied to a particular employer’s city,” said Gastineau. “Some people want to work exclusively from home and we’re fine with that. We believe we can still collaborate. Using technology, it’s actually allowed us to expand our reach and serve more clients.”

“I could a hybrid model in the near future where employees can come into our office while still having a kind of work-from-home philosophy. It makes a lot of sense,” he added.

Stephen Austin, managing partner at Swenson Advisors LLP in downtown San Diego, said the remote setting offers several upsides including spending less money on gas, reduced car repairs, and even spending less at the weekly dry cleaners. However, it has made it more difficult on the business auditing side of things, he said.

“Part of our job is to go meet our client and look around to see what’s going on in their business and their warehouse. The COVID restrictions have kept us out of a client’s offices,” said Austin. “This year past we found that it was harder because of all the restrictions on access to the warehouses. It took longer to complete the process remotely than it would have taken working in the office.”

Tax Changes Approaching

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“When our team comes out, we reach out to our clients to discuss how it’s going to impact them and identify ways we can help and support them,” she added.

Kevin Dusi, partner at Moss Adams, said tax breaks for wealthy individuals and companies will most likely be going away at least partly. “A lot of the reduced tax rates, especially in light of all the funding that’s gone toward various COVID-related support, I think there is no way to maintain those low rates.”

Cultivating Culture and Talent

Even in a pandemic world, firms that continue to invest in their employees, work to cultivate a great culture from the top down and find creative ways to better support their employees will retain their employees longer than those who don’t. BDO’s Mason said aside from the business aspect, focusing on the people element is just as important as building a profitable organization. “Not everyone has been impacted the same with the pandemic. It’s important...
to continue to emphasize the human element by checking in on people and making sure that everyone’s doing okay,” said Mason. “Some people are able to work remotely all the time, but other people are feeling isolated and are experiencing anxiety or depression.”

“The human element also needs to be balanced with the business element,” he added.

To support their staff during the transition to remote, KPMG granted its employees a $1,000 bonus last year to cover additional expenses such as buying a desk chair, desk, a laptop, among other work-related supplies. In addition, the firm also created additional resources to provide social emotional support.

“There are young people living in apartments with two or three roommates, and they’re working on their couches or tables,” said Gonzales. “We realized early on there were some additional expenses. Many of them didn’t have desks, chairs or equipment at home. KPMG has been there to support them during this time.”

Preparing for What’s Next

Looking forward, new technologies will enable auditors to focus more on innovation and strategy, and less on the more mundane tasks that previously demanded their energy and attention, said Bruning.

“The human aspect of the business, especially relationship building, will become increasingly important in this age of transformation and technological innovation,” he added.

RSM’s Varga is also betting there will be an increased focus around ESG environmental governance.

“Both consumers and customers or employees want to understand the company’s mission, and their values. There’s going to be an enhanced focus on that as well going into the future, especially with more millennials in the marketplace and being consumers.”

As of now, it is unclear what the future ESG-disclosure requirements could look like. SEC Commissioner Hester Peirce said there should be specific disclosure requirements for certain industries, rather than blanket regulations that apply to companies across all sectors.

“To be prepared for the future, accountants should pay close attention to the growing demand for environmental, social and governance (ESG) information and practices among both investors and business leaders,” said Bruning.

Experts predict the global tax advisory market will recover soon.