

## Foresight: The CPA Podcast

### Season 2 Episode 2: The Roadmap to Digital Transformation for CPAs

**David McGuffin:** Welcome back to Foresight, the CPA podcast. I'm your host, David McGuffin. We've talked a lot on this podcast about the challenges CPAs face, but on this episode we're going to do something different. This time it's going to be all about the opportunities, the new business models, the new roles and emerging leadership positions. All of these opportunities are opening up because of the drive towards digital transformation.

The truth is digital transformation is a journey, or maybe you prefer a different metaphor. We're going to hear from one person who says it's more like going to the gym. But however you choose to describe it, digital transformation takes leadership and CPAs have a unique opportunity to be at the center of the action.

On today's episode, we're going to hear from two CPAs who are driving the shift into the digital space. First up is Josh Zwieg. The Josh is the CEO of Live CA, which is Canada's first and largest online accounting firm. Josh co-founded the firm with Chad Davis. And as you're about to hear digital transformation is not just a buzzword. It's central to how he works, or, more specifically where he works. So Josh, you're the CEO of an accounting firm with just under a hundred employees that operates out of Canada, but just for a bit of fun, can you tell us where you are right now?

**Josh Zwieg:** So for fun, I'm in Buenos Aires, Argentina.

**David McGuffin:** But not just for fun. You're working out of there as well. Is that right?

**Josh Zwieg:** I'm working, living. I mean, I suppose these are all relative terms. But yeah, I've been here for almost four years now on and off and before the pandemic came and went quite a bit. After the pandemic, a girlfriend and two cats later, it's a little bit more permanent.

**David McGuffin:** So in some ways you're kind of doing what a lot of us have been doing with the pandemic, but you've been doing this for quite a while. Was that always part of the original business plan, then that's sort of flexibility, but where the various employers or founders of the companies are?



**Josh Zwieg:** Business plan, there was no like grand plan from the start. Really the idea morphed over time. So the original idea was simply that I was working at a mid-size accounting firm in Toronto, and I had spent about two years in Tel Aviv or in Israel prior to working there. And this firm that I was at happened to have a lot of clients in Israel.

So I thought, oh, this is a great opportunity for me to maybe do some cross border or accounting. Be somewhat there, somewhat in Canada and find my niche. And after a few years of working there, I said to my boss, "Look, I'm not actually meeting with customers right now. I'm doing all this work, by myself. I can basically do this online. And because people are sending me scanned bank statements and it can access remotely the system."

So how about I move to Tel Aviv? I'll fly in on my own dime a couple times a year and I'll see half there and half here. What do you say? And he said, "Absolutely not. You have to be in the office. If I don't see you working, I don't know you're working." And I said, "Okay, I guess I'll have to start my own version of this to test out the theory." And so that was really the idea was okay, can I actually move to Tel Aviv and just be a normal accountant abroad. So there wasn't, again, a grander plan of how to grow it to, but more of how can I be living somewhere else and doing my Canadian tax work.

**David McGuffin:** So your boss's theory that everyone needs to be in one place has clearly become outdated. And how much pushback did you get from potential clients to the fact that you all weren't on Bay Street or wherever it was?

**Josh Zwieg:** So I think when you're looking for customers, if you're getting pushback, it means you're not connecting with the right customer. At the beginning when we wanted just money, to survive, we did deal with any kind of customer. And so I'd say the friction or the pushback was because the customers weren't the right fit.

As an example, we had Chad fly in from Halifax to scan in documents somewhere because the person didn't want to do with the scanning himself. And he did that. Is that sustainable? No. We definitely don't need to play a \$1,200 flight to have someone scan in a few receipts. So we didn't really understand it at the time. So, I guess a lot of the pushback really helped us over time to find our ideal customer.

**David McGuffin:** So beyond wanting to be where you wanted it to be and work, what was the market gap you guys saw that you thought you could exploit or work in?

**Josh Zwieg:** I think that question presupposes that we had a very well planned out business plan. The question today, I mean, I can answer quite differently than the question 10 years ago. But



today it is a business that generates probably between 2 and 20 million of revenue has a head count between 10 and 100 is looking for a full finance team. So think accounts payable, payroll, bookkeeping and tax. And they don't want to hire all those people for a whole bunch of reasons. Namely the fact that it's very costly to have a full finance team. You don't quite need all those full-time hires. So our value proposition today is we provide all those functions for less than the price of a full-time hire. And so it is a growing company who fits our ideal customer profile that would really buy into using those functions.

**David McGuffin:** So Live CA, as you described, it's obviously an accounting services firm, but you also describe it as a technology services firm. And I'm just wondering if you can explain those two aspects of your business.

**Josh Zwieg:** So today I would argue that we are shifting from a more traditional service based company to what I would call a tech-enabled service company. And so what that means in practice is we have a team that's actually dedicated to developing proprietary technology. Right now, we refer to it as our no code team. We also have an innovation team.

And their job is so maybe in more practical terms, it's for example, if a customer is using accounting software like Xero and invoices their customers in a very specific way that Xero can't do or doesn't have that inherent functionality. So we can build a plugin using Xero's API that enables a customer to do their invoicing and their custom process. So think of it as custom plugins is one function of using tech to eliminate manual processes. There are other kinds of internal apps that we're building that really cut down on the manual labour part.

So in other words, if you're doing bookkeeping, matching receipts to a transaction is fairly tedious and manual. It isn't the value you add necessarily of an accounting firm. And so using technology or AI to eliminate the human, let's call it tedious work that's involved there. And actually, using the human effort to do the analysis, to do board reporting, to say, "Okay, now that we've done the tedious work, we've automated a lot of it. What additional value can we bring to you in the form of interpretation of the numbers or the story?"

And so I'd say today, technology has a lot more fundamental role in the actual value we're providing to customers, internally, which is finding efficiencies and cutting the time down of doing certain manual repeatable tasks. And externally, as far as adding value to customers, it could be the dashboards, different board reporting, having a portal that they can log in with everything in one place. So that's how we see technology playing a much more vital role in our business over the coming years.



**David McGuffin:** Fascinating. How important is it that these apps are being developed within an accounting firm itself as opposed to just a Silicon valley firm?

**Josh Zwieg:** So interesting enough, I think the market right now is in a very unique time. So as a very specific example, you take the firm, it's not a firm, it's a company called Pilot. So what they do first off is they offer back office services. So think, again, accounts payable, payroll, bookkeeping, tax, CFO services, and this is based in the US. So they do this for US companies. Pilot has branded itself successfully as a technology company. They have \$120 million of funding.

A large part of that funding is from Sequoia Capital, the same VCs behind Airbnb, Google, and some other very big companies. And they have about, again from the time that I read the article about \$30 million in revenue, but they have a valuation of over a billion dollars, which is unheard of in the accounting industry. So we're seeing a big shift in the market. And again, I think Pilot is a key example of traditional service companies, both transitioning or branding themselves as a technology company and then relying a lot on technology to drive that value to their customers.

**David McGuffin:** So you have an interesting perspective in terms of digital transformation, and I've heard you compare it to the transformation that you see from going to the gym, for example. And I'm just wondering if you can explain that.

**Josh Zwieg:** Yeah. So I'll come back to our original value prop when we started the business, which is I just do your books online. Again, it was me, there was no grand purpose to have a much larger team. But over time we made incremental changes that shifted the focus of the business without actually realizing it so much going to the gym every day, where you work on a particular muscle group and you don't necessarily see the change when you look at your mirror every day.

But if you look at yourself in six month intervals, you might see a much larger change. So in our first iteration of the business, again, it was send us your books. We'll do your taxes. Six months later, it was, we transition you online and then do your taxes. A few years later it's we are a fully outsourced finance team for your growing business.

And today, not only are we a fully outsourced finance team, not only can we help companies scale to the point. So if I look at some of our customers like a Wealth Simple, we've helped a number of customers scale from the five to 10 employees to over 300 and in some cases going to IPO. And so all that knowledge that we've brought to the table has come from the different iteration.

And today's focus that we have of moving towards becoming a technology service company. It's just another iteration of that and saying, "Hey, if we want to stay competitive, and if we want to continue to serve these types of customers, we actually need technology to stay at the forefront



because that's in fact what our customers are asking for." More advanced reporting, more advanced analysis. And if we focus only on human labour to do that, we're going to fall behind.

**David McGuffin:** You interact with a lot of companies looking to digitally transform their financial operations, given your groundbreaking role. And I'm just wondering, what's the most common obstacle you see them facing?

**Josh Zwieg:** I'd say the most common obstacle is people. In other words, organizations are organizations of people, and it's the people part that you really need to understand. If you're doing things to automate processes within a particular organization. And that means in some cases that someone's role is going to change. They may not be fully bought into that process, whether they're conscious of it or not.

And so I think concept is really important when you're looking at a technology company. And again, that's why we look at ourselves as not a technology company, but a tech-enabled service company to say, "Look, we're using technology to augment the human capital element here. And human capital will always be a fundamental part of our business."

And a large part of that is also understanding the human capital on the other side. So that technology isn't the solution. It is part of the solution. And what we need to do is really understand the needs of the other person on the other side, or the people on the other side to go, "Okay, are these tools... Is this workflow really the right thing for your business?" So I think really understanding the goals of the person on the other side, being conscious of them when doing an implementation fundamentally important to a successful transformation.

**David McGuffin:** Fascinating Josh Zwieg, thank you so much for coming on the podcast.

**Josh Zwieg:** Thank you very much for having me.

**David McGuffin:** Now, not every CPA can set up a large online accounting firm and work from Buenos Aires. But luckily, that's not required to be a part of or even to lead digital transformation in an organization. Nat D'Ercole is a partner at Deloitte. He's the data transformation leader for Deloitte Canada's Artificial Intelligence Practice. In that role, he has led and guided a wide variety of digital transformation projects, and he's seen how CPAs can be at the center of this sort of change. Nat D'Ercole, welcome to the podcast.

**Nat D'Ercole:** Thank you. Thank you for having me.



**David McGuffin:** As you heard there, Josh says his accounting firm needs to keep technology at the forefront of what they offer customers. Now, his firm has been widely innovative from the beginning, but how true do you think it is as a general statement about the accounting field?

**Nat D'Ercole:** I think it's very true that innovation is fundamental to how finance modernizes its services, how it operates, how it attracts talent and retains talent. And talent today is all about being able to get the information a lot quicker, just speeding up processes and reducing the time to insights in order to be relevant in today's dynamics, today's economy.

**David McGuffin:** Yeah. Josh is talking about digital transformation of what you might call traditional accounting areas of competence like finance, but in your work you help companies transform their use of data beyond financial reporting. And I'm wondering, what is the fundamental problem you help your clients solve?

**Nat D'Ercole:** I think organizations have realized you can't be strategic, you can't excel, you can't accelerate at a pace that's needed when data is limited to departments or their individual silos. So you've got islands of information but no insight. The need to connect information across the organization, across the enterprise as well as from external to the enterprise, whether it's public data from your customers, your supply chain, this is a very fluid economy that we are operating in today. It doesn't matter what industry folks are from, the need to connect information, speed up the information pipeline to make faster decisions is a reality of how businesses are driving to a more strategic advantage compared to their competitors. And we are seeing organizations do just that. The CFO has a leadership role to play in such transformations.

**David McGuffin:** You say the CFO has a leadership role to play in such transformations, but how about CPAs below that level? For example, auditors, do they have the skills that are needed to drive this transformation?

**Nat D'Ercole:** Yeah, I would say so. Auditors are trained or accountants are trained. I went through the same training myself many decades ago, and that training provides you with a foundation of truly understanding a process from end to end. And yes, auditors are trained to audit financial statements, but there's a process by which financial information is generated and auditors are trained in understanding that, corroborating processes, corroborating information. And it's not unlike what needs to happen when you're putting in new processes and ensuring that the information is fit for purpose, well, it's complete, it's good enough for the decisions that need to be made. And so I do find that leaders from a CFO finance background bring a unique skillset to transformations.



**David McGuffin:** One thing we're hearing is that CPAs are having trouble being seen as a natural fit for the role that you've just described. CEOs are not thinking let's get one of our top CPAs to take care of this. So I'm just wondering how you see what's the best way for a CPA to insert themselves into that kind of leadership role.

**Nat D'Ercole:** Very good question. I would say be involved in modernizing your own function. If your own function is not modernized, is not digitized, you're not accessing information and insights through dashboards, connected dashboards, you really haven't learned the fundamentals or/and even applied the fundamentals of data and analytics and potentially what AI could bring to how that information could be analyzed not just from a financial perspective but from an operational perspective. And so I think there's a ripe learning ground there for CPAs to bring disruption, bring modernization to their own function first. And in doing so, there's a lot to be learned in terms of communication, collaboration, setting a vision, having a purpose for transformation.

And those skills are absolutely transferable and I would say needed to be able to be a co-leader at the table for broader business transformation, digital transformation, digital enabled transformations across the enterprise. And so I think my advice to aspiring CFOs is get yourself involved in a project, in a program that is modernizing the finance function, whether that be database controlled modelling tools with built-in reporting, built-in analytics, built-in AI, potentially built-in robotics and have those experiences because you'll be served well in your career as you launch into broader transformation initiatives.

**David McGuffin:** When we were talking to Josh, he really emphasized the need to be able to understand the human needs of the people in an organization as it's trying to change and I'm just wondering, how important have you found that to be?

**Nat D'Ercole:** I think that's very important. I think digital transformation or technology transformations are realized by people. These are people-led initiatives obviously, and understanding and being able to communicate purpose, value, shared goals, these are soft skills that will drive strategy, drive connection to that strategy in organizations. I think first and foremost, it's important to have that stated goal, vision, mission that people can connect to. And to me, that does speak to the human aspects of being a leader, leading with empathy but also understanding what's important to your leaders participating in your transformation and what are they looking to get out of the initiative in terms of their own personal growth. So having that connection with your leaders and helping them to be successful on their own personal journeys is to me a very important human aspect of leading transformation.

**David McGuffin:** Interesting. You've been helping businesses implement new digital tools and think through the implications of new technology for your whole career. I'm wondering if looking



back if you've found that there's a particular kind of mindset that helps drive successful digital transformation.

**Nat D'Ercole:** I think challenging the status quo. I think CPAs, CFOs tend to gravitate towards what is foundational in terms of capabilities. And sometimes it may feel uncomfortable in terms of venturing into a space that you're not necessarily comfortable with. And so have the courage. The world that we operate in, the economy that we operate in is going to continue to change. The new normal is that there is no normal, and having a mindset that there isn't a beginning and an end to a particular transformation or a particular project or program. There'll continue to be change thrown at you and the need to continue to absorb that, understand that and push forward to embed improvements in processes and how organizations communicate with their customers, their stakeholders, their people internally is key to the next generation of organizations that will disrupt the market, disrupt competitors. And so having a mindset of change is good. Change is opportunity and your business counterparts, technology counterparts are looking to you to bring that type of wisdom, that type of experience.

**David McGuffin:** Great. That's a solid piece of advice. I think we can leave it there. So Nat, thanks so much for coming on the podcast.

**Nat D'Ercole:** Very welcome. Thank you.

**David McGuffin:** Nat D'Ercole is the data transformation leader for Deloitte Canada's Artificial Intelligence Practice. And that's it for this episode of Foresight. If you're interested in learning more about digital transformation, we have links to resources in the show notes. Foresight: The CPA Podcast is produced by PodCraft Productions. And please rate, review and share this episode. It helps others to find the podcast. I'm David McGuffin. I'll be back with our next episode in two weeks time. Until then, thanks so much for listening.