

Why Your Accountant Isn't Making You Any Money



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Introduction

Business owners have relied on accountants to keep accurate books for thousands of years. While business has evolved dramatically over that time, accounting hasn't changed much.

I started thinking about this during my fellowship with the Governmental Accounting Standards Board. This was the accounting equivalent of clerking for the Supreme Court and my fellows assumed I would move to either New York or Chicago to join one of the Big 4 accounting firms. When I announced Seattle as my destination, I may as well have said I was settling on the moon. Nobody could understand why I was throwing away my career before it began.

This was the beginning of a series of events that told me I'm not really an accountant. I'd dreamed of starting a business and pursued accounting with that goal in mind, so even though I can nerd out with the rest of them, even though I have a thoroughly modern accounting education, even though I helped develop Statement No. 53 on Accounting and Financial Reporting for Derivative Instruments—the fact that I like innovating is enough to make me (and accountants everywhere) hesitate to call myself an accountant.

I don't believe any industry is stuck in one place. I think there's always room for improvement and the field of accounting is long overdue. In fact, I believe an accountant can help a business make money. And, if quitting a successful career at a nationally recognized firm to start a firm during a recession isn't unusual enough for an accountant, making that statement certainly is.

So, why is your accountant, the person who knows the most about your financials, not helping you improve cash flow? Call me crazy, but maybe you should expect more from your accounting department.



Why Your Accountant Isn't Making You Any Money

1. Accountants are accountants by nature

You could easily make a daily calendar of accountant jokes. What do you call an accountant with an opinion? *An auditor*. Why did the accountant cross the road? *Because they looked in the mirrors and did what they did last year*. What's an accountant? *Someone who solves a problem you didn't know you had in a way you don't understand*.

I could go on. There are strong stereotypes about accountants. Accountants are seen as boring, awkward; creatures of habit. Obviously there are plenty of people in the accounting world who transcend these descriptions but let's face it; there's truth to the reputation. A specific personality type is drawn to a job that requires pouring over regulations, working in the weeds with pinpoint accuracy and spending infamously long hours in the office during tax season. This same personality type is adverse to risk, plays it safe and, above all else, always follows the rules.

Accountants are the polar opposites of business owners, who tolerate risk, focus on the big picture and stay out of the weeds. While owners have an appetite for innovation, accountants tend to stick with the status quo. While business is constantly changing, accounting's last major innovation was double-entry accounting, introduced in the 15th century. This explains the oil-and-water relationships between business owners and their accountants.

No wonder your accountant isn't making you money. Accountants, by nature, are not innovative, creative or inclined to look at the big picture.



2. Accountants are accountants by nurture

Your average accountant follows a well-worn path. It starts with college, where they study accounting and take on internships. If they're very lucky, they get a sweet fellowship, head to New York or Chicago upon graduation, work toward becoming a partner and basically do the same thing every year until they eventually retire. If they don't, they take their place in the bowels of America's corporate system, work toward becoming a partner and basically do the same thing every year until they eventually retire. Accountants are not encouraged to step out of the box, buck trends or ruffle the status quo.

The majority of accountants spend their career, or at least a good chunk of it, in compliance. This is no surprise since the five years we spend training in college as accountants are almost exclusively compliance-focused. When we get out into the professional world, this accountant shape we've been molded into during college gets hardened by experience. Owners never bring us to the table to help steer the business in the right direction, financially or otherwise. Even accountants who become CFOs or controllers are rarely, if ever, involved in the philosophy of the business because they were never prepared to be a business leader. It's been this way since ancient Egypt. Business owners run businesses and accountants keep them out of jail.

Is it any surprise your accountant isn't making money for your business when they aren't trained to run a business or even think bigger than compliance?

3. Accountants work in isolation

Of the 42,000 accounting firms currently operating in the United States, 95% employ less than ten people. The partners in these firms crank out 600-700 tax returns annually, packing their work into less than half the year. They're really good at what they do, but they do it in isolation, away from people and away from the business itself.



A **score.org** survey reported 40 percent of business owners consider handling the financials to be the worst part of ownership. If they had asked for the three worst things about owning a business, I believe that number would have jumped to 80 or 90 percent.

This distaste for financial matters is born out of boredom (who wants to dissect regulations on corporate tax structure for hours on end?) but also out of how painful it can be to deal with accountants. Many business owners put it off as much as possible.

Add to this the fact that owners don't expect their accountant to brainstorm ideas, innovate or solve problems. "Proactive" isn't in the job description. When an owner has an innovative idea they're excited about, the last person they want to talk to is their accountant - "Captain Buzzkill". They know what they're going to hear. "Did you look at the regulations for that?" "Here are 15 terrible things that will happen if you move forward." "That's risky. I wouldn't do it." And that's assuming you can get in touch with your accountant in the first place—another pain point for many owners.

When you do get in touch with your accountant and mention your cash flow issues, it's unlikely they'll be able to help. Without expanding their focus beyond compliance and saving taxes, they won't be able to offer any meaningful recommendations tied to growth or a larger financial philosophy.

This is the reason your accountant isn't making money for your business—they see your finances as an isolated part of the organization. In reality, everything is tied together. Employee agreements, leases, client contracts, how you get a client, your accounting records and systems—it's all connected and your accountant should be able to show you how. Unfortunately, they can't because they're busy digging themselves out from under last year's financial information. Little wonder only 20 percent of business owners would even bring their accountant into their discussions on cash flow.

Your accountant can't make you money if they're only focused on one isolated piece of the puzzle.



4. Your accountant lives in the past

When your accountant talks about “this year,” they mean last year. This is simply how the system works, but consider the implications of constantly looking to the past. By the time you hand over your documents, it’s too late for your accountant to save you any taxes or align your actions to your goals. All they can do is review your paperwork and tell you what you did. It’s too late to actually do anything for you.

Add to this the fact that your relationship with your accountant is transaction based. At best once a year you go in and talk to your accountant for an hour and that’s the only insight they get into your business. This is the opposite of comprehensive. There’s no way your accountant is going to understand your goals and your company and how your actions are or are not supporting those goals if they only see you once every year. This is the only relationship we expect to work so well with so little interaction.

The implications are legion. Imagine you want to qualify for a specific tax break. You tell your accountant at your yearly rendezvous and they examine your papers to see whether you met all the qualifications. If you didn’t, there’s nothing to be done. You missed it. Now imagine you talked to this same accountant regularly through out the year and had told them eight months ago you wanted this tax break. Your accountant could have **a)** advised you as to whether it was the best plan, **b)** helped you make a plan and **c)** checked in with you regularly to make sure you qualified by year’s end. The guess-work would be completely gone.

What else could your accountant recommend if they knew the day to day of your business? What ideas could they give you that would both accomplish your goals and not come back to haunt you at tax time?

Improving cash flow is an ongoing discussion involving reporting and analysis combined with awareness of business goals. You’ll meet opportunities throughout the year you won’t recognize but your accountant will. A continual dialogue would allow your accountant to consistently steer you in the right direction and take action on your behalf.

Your accountant isn’t making you any money because they’re too busy staring into the past.



5. Your accountant is a specialist

An accountant who's going to be an integral part of your team needs to be more experienced and well-rounded than the average bear. They need to be up on tax, finance, accounting, operations and more. They won't stick to the feast or famine schedule either, because being this kind of accountant requires year-long involvement.

This is difficult and different and accountants don't do that sort of thing, not unless they absolutely have to, and compounded by the fact that 75% of accountants are expected to retire over the next 10 years, so they're more focused on winding down their practice than innovating. Change is hard for anybody, but especially for accountants. I'm convinced the majority only use computers because they can't find ink ribbons for their typewriters.

Accountants haven't had to change because nobody expects it; nobody demands it. Nobody is looking for an accountant who can do more. Well, not nobody. Huge enterprises have large consulting firms which focus on a smaller number of huge, publicly traded businesses, but small business owners are out of luck and don't really expect anything different.

Accountants who specialize in one type of accounting simply can't help steer your business into greater profits.

Conclusion

Many owners don't see the connections between the minute details of their business. They think of things like reporting, processes, salary and other compensation, meeting schedules, one-to-one frameworks etc. as separate from the financials.

The truth is, every part of your business is tied to every other part. Think of your business like a boat and all the different pieces as oars. Your reporting is an oar. Your processes are another oar. Your salary structure, meeting schedules, etc. are all oars of their own. Are all your oars pulling in the same direction? If not, your business is hindering its own advancement. Your accountant is uniquely positioned to see this,



but they won't. They are not wired to do this by nature, are not trained to do this in their school or professional careers, work in isolation, live in the past and specialize to the point of crippling their ability to improve cash flow in your business.

I believe your accountant could help adjust your oars to pull in the same direction. This is why I founded Nth Degree; to create an accounting firm that makes money for our clients and trains in-house accountants to do the same.

It's time for accountants to catch up to the rest of the world—especially the business world. The comprehensive approach we champion is more involved, requires more from your accountant than preparing a tax return and has the potential to take your business to the level you envision. It's the long-overdue accounting innovation that's just starting to take shape.

Your accountant isn't making money for your business because nobody, business owners and accountants included, realizes they can.



About Nth Degree

Nth Degree was founded with the idea that there is a better way to help businesses with their financial, accounting and bookkeeping challenges. Our organizational purpose is to use strategic upfront engagement, ongoing programs and close collaboration to provide clear, transparent solutions. Our clients expect more from us.

Learn more about Nth Degree online at NthDegreeCPAs.com

