

Accountants and human capital risk in 2020 – developments amid COVID-19

An excerpt from *Accountants' Liability Risk: Global Trends and Issues (January 2021)*

Human Capital Issues and the Future of Work

Human Capital Issues. The events of 2020 have heightened focus on human capital risk. Not only are firms concerned with the ability to attract and retain talent, they are also increasingly concerned about the health and wellbeing of employees. The accounting profession is dependent on human capital and the pandemic has demonstrated the fragile link between human health and organizational success. Advancements in machine learning and automation are also shaping the new skillset required of the profession and increasing the firms' reliance on the strength and quality of their personnel. Additionally, the competition for talent and diversity remains strong, causing firms to challenge traditional recruiting methods.

External stakeholders and prospective employees are putting pressure on organizations to demonstrate real and measurable progress in greater diversity among board members, senior management and the overall workforce. Firms will need to continue to respond to these pressures so as not to imperil reputation and recruitment abilities. Fortuitously, the current remote work environment has made managers more open to virtual hiring, which allows firms to look beyond their geographic footprint and tap into a larger, more diverse talent pool.

The move to remote work environments meant that management practices had to be adapted. In the new virtual environment, leaders faced the challenge of communicating corporate culture and values – governance factors which provide employees with a sense of purpose and organizational belonging, and which are important for retention. Also, amid lockdowns and social isolation, employee wellbeing has been a rising concern. Firms have implemented initiatives, such as providing wellness apps or online training on resilience and mental health to employees. The firms continue to work to ensure a resilient workforce through the lingering COVID-19 disruption.

The Future of Work. Many of the trends discussed above are also shaping the discussion about the future of work. Studies indicate that upward of 70% of knowledge workers would like to have a hybrid remote office model going forward. At the same time, firm leaders are seeing how productive their workforces can be while working from home. Firms are reassessing their need for pre-pandemic levels of office space, with some firms announcing downsizing. There has been an accelerated adoption of disruptive technologies, many of which free up time for more value added and insightful tasks. Additionally, technologies have successfully enabled more frequent and instant communication with clients. As the industry continues to evolve and adopt developing technologies, such as blockchain, which could revolutionize accounting, scholars assert that the profession needs to rebrand itself, positioning itself as business advisors and technology experts.

In the face of rapid change and uncertainty, particularly in areas of health, climate change and digital advancements, building a resilient workforce is a top priority for organizations. In charting a course to a “new better”, firms need a workforce that can easily adapt to change, has a strong capacity for upskilling and reskilling, can maintain productivity through disruption, and manage stress and pressure.

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Accountants' Liability Risk: Global Trends and Issues is available to Professional Services Practice's clients. To discuss any of the topics raised in this article, please contact **Rona E. Davis**.