

# The Really Bad News for Accountancy Practices and What to do About it

A research  
report by QXAS  
and Steve Pipe, FCA

September 2019



In June 2019 QXAS invited senior accountants in practice to take part in an online research survey. 256 survey responses were received.

In addition to the underlying data, this report contains a detailed analysis of the findings by practice strategist Steve Pipe FCA.

Alarming, it uncovers some very surprising facts about the poor quality of work by many accountants. And it provides invaluable insights into the other key challenges facing practitioners, along with practical guidance on how to address all of those challenges.

Equally importantly, the project is already changing the lives of 256 vulnerable children. That is because for every single one of the 256 accountants taking part in the survey, we have already used B1G1.com to give a vulnerable young girl in Cambodia a much better and safer life. Specifically 256 children are receiving a

filter to make their water safe to drink for a month, enough seeds to grow a month's worth of vegetables, and pushbikes so they can get to school for a month, and get an education that would be impossible to access on foot.

Steve has done a great job at analysing the findings into good, bad and very bad news for accountants. It is true that, while there is plenty for all of us to still work on to make accounting better, there's also a great quality amongst accountants that we've uncovered - the zeal to do something for the greater good.

Which is why we are helping another child in exactly the same way for every single copy of this report that is downloaded. So, just because you are reading this, another vulnerable young girl will be getting a better life.

We hope that thought makes these pages even more rewarding for you.



Chris Robinson, FCA  
Executive Chairman and Founder, QXAS





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# STEVE PIPE



## Steve Pipe's commentary on the key findings

The views and experiences that accountants share in this survey are fascinating.

Whilst there are many positive aspects to the findings, there are also some very worrying negatives.

However, the research also helps us to identify the practical steps accountants need to take in order to tackle the negatives and build on the positives.

## Key findings

Many things appear to have improved in the last three years.

In particular, over 65% of accountants have grown their total fees and their average fees ([Appendix Q8](#)).

And a majority now have more skilful and knowledgeable teams, which perhaps also explains why a majority have also improved their productivity ([Appendix Q8](#)).

As a result, 46% of firms are enjoying higher profits, and 30% now have a better work life balance than three years ago ([Appendix Q8](#)).

There is also some really good, and profoundly important, news for the planet and mankind: "Doing some good in the world" is now a key personal driver for 55% of accountants ([Appendix Q3](#)).

To the best of my knowledge, this has never been quantified in any previous research. And it is a very exciting development that suggests there is

widespread support for Prince Charles' assertion that accountants can and should "change the world".

This unselfish attitude is further evidenced by the finding that the single most important personal driver for 87% of accountants is making a difference to their clients. In fact, this is even more important to accountants than getting paid well or having a good work life balance. ([Appendix Q3](#)).

So our traditional professional values of service and putting the needs of others before ourselves appear to be in safe hands.

## *The bad news*

### **Deteriorating results**

Unfortunately, many things have not got better in the last three years (*Appendix Q8*). In particular:

**79%**

have seen their costs per client stagnate or get worse

**74%**

have seen their work in progress stagnate or get worse

**71%**

have seen their work life balance stagnate or get worse

**67%**

have seen their team enthusiasm and motivation stagnate or get worse

**64%**

have seen their debtor days (receivables) stagnate or get worse, and

**54%**

have seen their profits stagnate or get worse

## *The bad news*

### **Unhappiness**

As a result it is perhaps not surprising that the vast majority of accountants don't seem to be very happy.

For example, when asked to use a scale of 1-5 to rank how happy they are personally with the state of their firms,

**88% could not bring themselves to give a "happy" score of 5 out of 5. And 50% scored their happiness 3 or less.** *Appendix Q2*

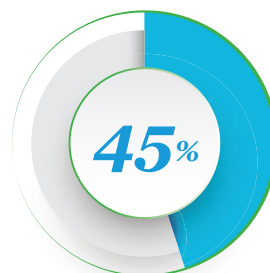


## *The bad news*

### **Client demands**

Another factor that could be creating these problems is that clients have become more demanding over the last three years. In particular, over half of all accountants say their clients expect more, expect things quicker and expect them to be more proactive.

**While almost half (45%) of clients now expect their accountants to be more valuable.**



And to make matter worse, **36% also expect to pay lower fees for all these improvements!**

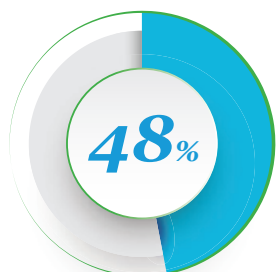
*The findings in this section are all taken from Appendix Q5*

## The bad news

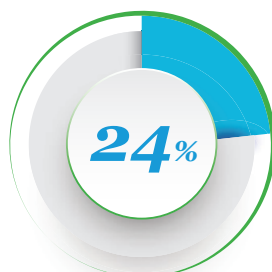
### Widespread errors

Surprisingly, only 53% said that “doing good technical work” is important to them personally.

And this attitude may help to explain the two most alarming findings in the entire study:



***Staggeringly, when taking over clients from their previous accountants, the incoming accountants say they find errors (ie something not done right) or omissions (ie something not done that should have been done) made by 48% of the previous accountants. Appendix Q6***



***And they find that the previous accountants have also missed deadlines in 24% of cases.***

*Appendix Q7*

By any assessment, failure rates of 24-48% are shocking. And, even at a small fraction of those levels, suggest serious deficiencies that must be addressed as a matter of urgency.

## The bad news

### A long wish list

In the light of all of this, it is not surprising that accountants have a long wish list (*Appendix Q10*). Specifically, well over half of the profession seems to want:



Better clients

Better (ie higher) prices



Better technology



Better team, and



Better productivity

Better work life balance





## The good news

# There is a pathway to a better future

Clearly, none of these problems will magically solve themselves. And none of them can be ignored.



**15% of accountants say that not knowing what to do and/or how to do it is holding them back.** (*Appendix Q13*) But fortunately, there appears to be a good understanding of what needs to be done amongst their fellow accountants.

For example, *Appendix Q9* shows that over half of the profession recognises the five most important solutions as:



## To facilitate those things firms will need to:



### 1. Start by making a strategic commitment to making thing better:

Since success requires enthusiastic support at every level.

**2. Support that commitment by investing time and money in the right training, systems and technology:** Because unless you do, clients and team members will rapidly see it for the empty promise it actually is, and any support you started with will soon disappear.

For many firms, a quick and easy way to generate the funds to finance that investment is to put their prices up.

Ideally this will be part of a comprehensive overhaul of the way they price, moving away from hourly billing (which clients hate) and towards a value pricing based approach that allows you to keep a fairer (ie bigger) share of the value you help to create.

But if that is too big a step, firms can simply increase their prices by, say, 20%. Yes they may lose a few clients. But in the hundreds of cases I have seen, the net effect has always been seriously positive: the remaining clients generate higher total fees at the new prices, and the amount of time needed to earn those fees is reduced because some clients have left.



## Extra insights from QXAS

The extra investment that Steve talks about can be funded from the savings, efficiencies and revenues generated by adopting the right technology strategies.

*More good news*

### Technology is the solution

There may have been mixed views on the digitisation of taxes but adopting a few technological upgrades can be of real value when tackling a long-wish list from clients, keeping your staff engaged or differentiating your firm from the rest.



#### **For Your Clients:**

In our experience, some of the key things clients are looking for include:

- Moving to a cloud-based software can ensure real-time live data and constant accessibility for clients.
- Having a Standard Operating Process: for the on-boarding and streamlining of processes makes it easier for new clients to come on-board.
- Adopting an MIS Dashboard: which is also a really powerful way of keeping clients updated on KPIs and their business performance.



#### **For your team:**

Automating mundane, repetitive tasks is a huge boon for accountants to focus on their growth as analysts for a rapidly digitising accounting landscape.



#### **For your practice:**

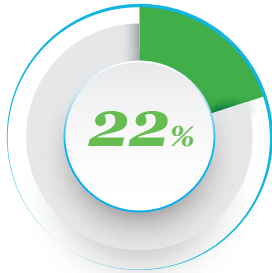
Using KPI indicators and MIS dashboards can be an extremely useful way of monitoring the contribution of each department and team member within your practice.

## The good news

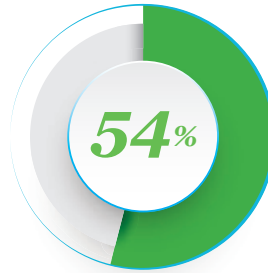
# People are the solution

**STARTING** by making a commitment to change, and **SUPPORTING** that commitment with investment, is only part of the solution.

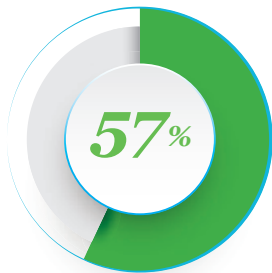
To **SUSTAIN** the changes firms also need to address their key people issues. In particular, they need to have:



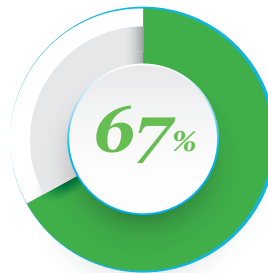
1. The right size team: **22% say their team is too small** (Appendix Q10)



2. At the right cost – since, as we saw earlier, **54% have seen their profits stagnate or decline** (Appendix Q8)



3. With the right skills and knowledge: **57% say their teams need to be more knowledgeable/skilful/capable** (Appendix Q10)



4. The right attitude, values and motivation: **67% have seen their team motivation and enthusiasm stagnate or decline** (Appendix Q8)

5. The right people doing the right work – so that they are stimulated, happy, effective and efficient and productive

6. With the right mix of fixed and variable (ie flexible) payroll cost elements – since more flexible arrangements, such as outsourcing, allow you to
- (a) cope with increases in work without sacrificing work-life balance needs, and
  - (b) cope with reductions in work without the burden of paying people to sit idle.



*What's more, according to respondents the biggest factor holding back progress is lack of partner time (Appendix Q13). So it really is essential that firms address these people issues in order to free up the partners to focus on the strategic changes that will make things better for everyone.*



And people also hold the key to generating the funds needed to finance all of this. For example, when you tackle these people issues:



**You team will be able to do a better job** – providing a better, faster, more proactive, valuable and accurate service (and making 24-48% failure rates a distant memory).

**You will be able to pay them higher salaries** – partly because they are helping you to earn higher fees, and partly because outsourcing and other forms of flexible working reduce your costs.



**All of this will enhance your brand and reputation** - and help you to win and keep better clients.

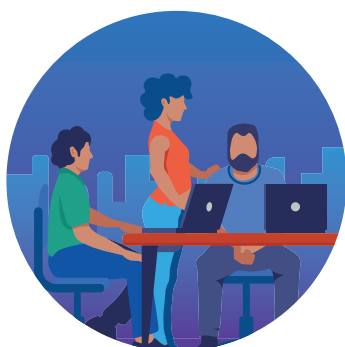
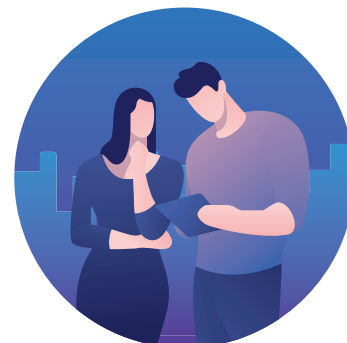


### **Those better clients will gladly pay higher fees -**

to reflect the fact that you are giving them what they really want

### **They will also be more loyal -**

because you will have addressed the number 1 reason they leave (which, as [Appendix Q12](#) shows, is salary). You will also be reducing the very high recruitment agency fees often involved in replacing leavers (according to [Appendix Q11](#), agency fees are the second biggest recruitment challenge, behind the shortage of good people)

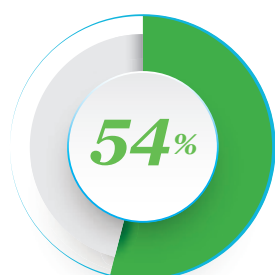


### **Your team will be even more loyal -**

because your people are personally doing a better job, being more valuable, serving better clients, and the firm is growing and building a better reputation, you will also have addressed the other main reasons why they leave (by giving them better experience, offering them better career progression and helping them to build a better CV – [Appendix Q12](#))

### **And all of this will also make it easier to recruit great new team members**

– which is a really valuable benefit because, as [Appendix Q11](#) shows, the number 1 people challenge facing firms is a shortage of good people – and this will help you to overcome that problem



*As a result, firms will become more successful – and they will address the stagnation/decline in profitability that has afflicted 54% of the profession ([Appendix Q8](#)).*



*And the accountants working in them will be happier – addressing the fact that currently 88% aren't as happy as they could be ([Appendix Q2](#)).*

# Extra insights from QXAS

*More good news*

## On why people really are the solution

The solution to all the discrepancies in accounting lies at the heart of what's keeping accounting alive – people. Engagement ([Appendix Q13](#)) is the source of majority of accounting problems that surfaced in the report – whether it is staff retention, client demands or partnering.



### For Your Clients:

In our experience, some of the key things clients are looking for include:

- Making time for the clients can strengthen communications and expectations on both sides
- For new clients, offering cost benefits or freebies can help demonstrate the quality of your services without asking for commitment in return.



### For your team:

- Outsourcing non-core functions like Payroll, HR or taxes can help with both the talent shortage and in staff retention.
- In the case of increased workloads, subcontracting or outsourcing compliance jobs on an Ad-hoc basis could help in managing urgent projects.
- Secondment solutions can be used when the current pool of candidates lack the right qualifications.



### For your practice:

- Focusing on Consulting on matters like digitisation, automation can help in scaling most accounting firms.
- Partnering with outsourcing firms can help reduce costs which are mostly spent on non-core activities.
- When costs increase, creating systems to improve cashflow can help avoid strain on the profits.

## The final piece of good news - For us all

The survey responses suggest one further people strategy that has profound implications for us all.

As we saw earlier, **55% of the accountants surveyed said that “Doing some good in the world” was important to them personally** (Appendix Q3).

But there is clearly a disconnect between this and the finding in Appendix Q4 that **only 19% of accountants believe that the firm they work for also want to have a positive effect on the world.**

Those firms who work to bridge this gap by taking action to prove to their people that they really do care about doing some good in the world, will unlock new levels of purpose, happiness, motivation and commitment from their teams.

### Clearly this will be good for the world.

But evidence from elsewhere suggests it will also be good for the firms who step up. For example, recent research by leading academics, Nielsen, Cone and Havas into many different types of business behaviour, that can collectively be labelled as “doing good”, suggests that the payback includes:

- **Faster growth** – because, on average, businesses doing good grow four times faster than the rest from businesses doing good (with several studies suggesting as much as 12-20% more)
- **Competitive advantage** - because 89% of people are likely to switch from a business that isn't doing good to one that is
- **Higher productivity** – for example, one study found that sales people make 143% more sales when working for a business doing good
- **Improved loyalty** – because 88% of customers are more loyal to businesses doing good
- **Future proofing** – because 79% of consumers expect businesses to do more good in the future than they have in the past
- **Word of mouth advertising** – because 81% will tell others about businesses doing good
- **Millennial appeal** – because doing good is even more important to the millennials who will be your customers for longer than any other group
- **Higher prices** – because 66% of people are willing to pay more for products and services

So, as Sir Richard Branson often says, “doing good really is good for business”. And there is overwhelming evidence to suggest firms who step up to the plate will generate profoundly important rewards for themselves, their people and us all.



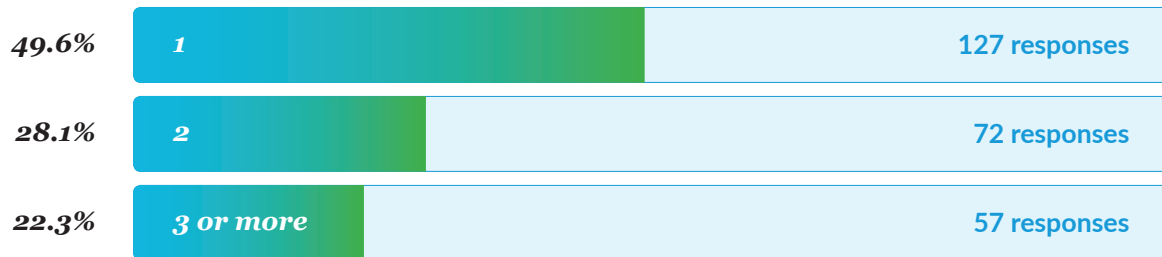
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## Appendix-Survey Responses

### 1. How many partners/directors does the firm have:

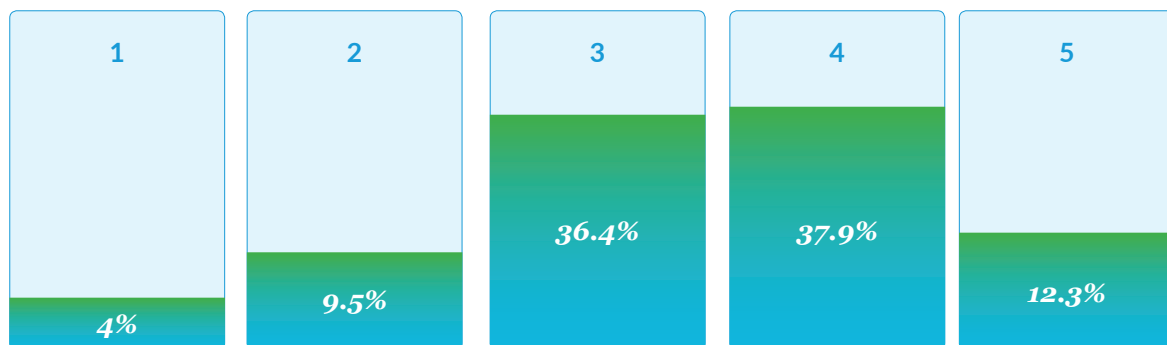
256 out of 256 people answered the question



### 2. How happy are you personally with the state of your firm:

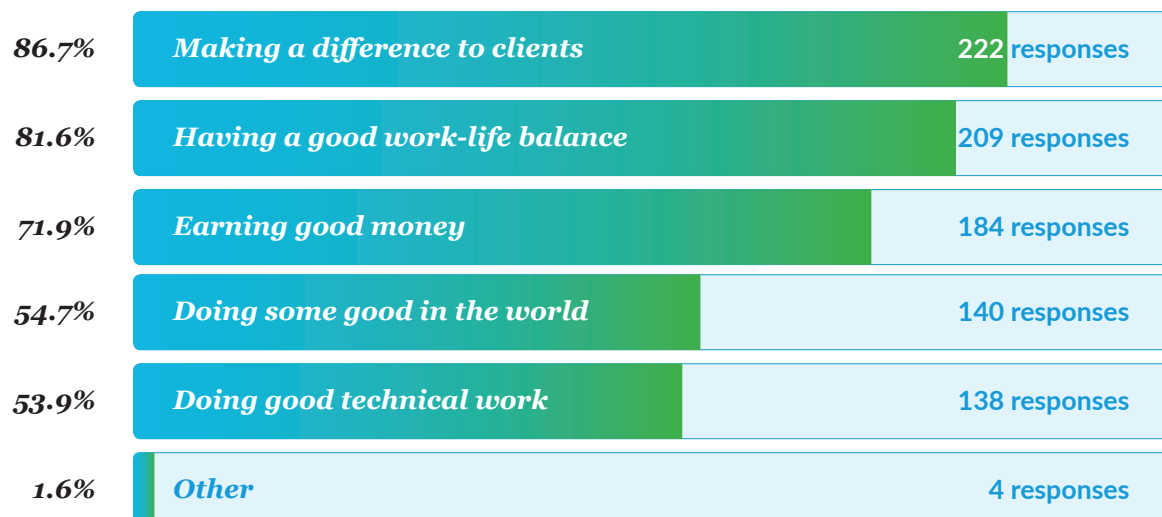
253 out of 256 people answered the question

★ Avg. 3.5



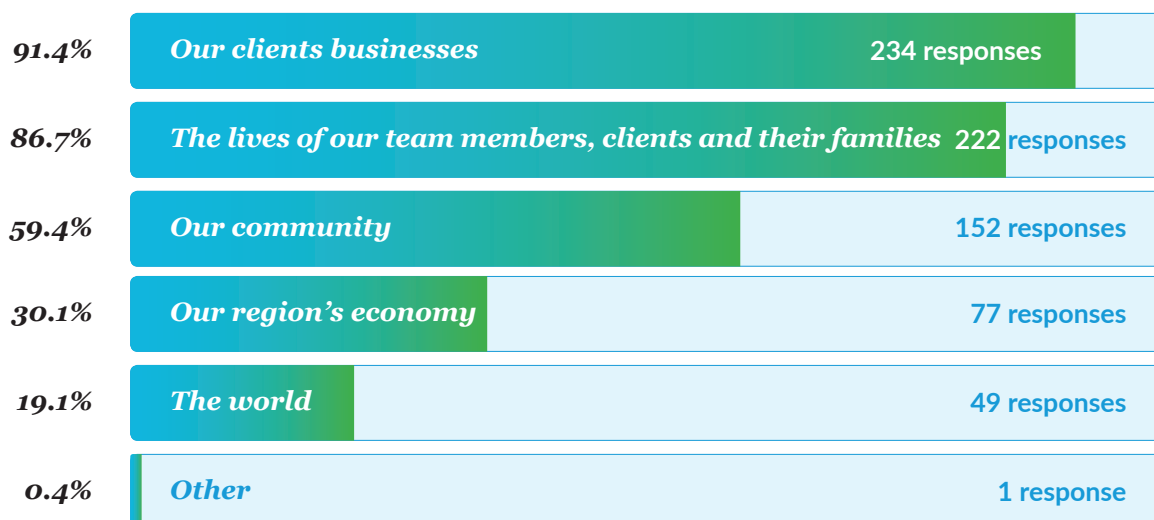
### 3. Which of these are important to you personally:

256 out of 256 people answered the question (with multiple choice)



#### 4. Which of these does your firm want to have a positive impact on:

256 out of 256 people answered the question (with multiple choice)



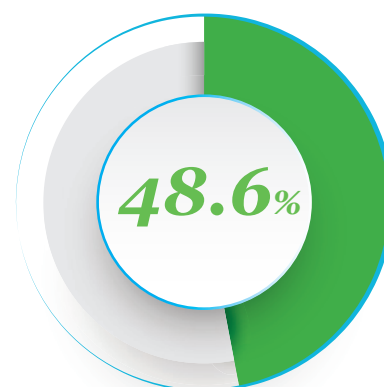
#### 5. Compared to 3 years ago, most clients:

256 out of 256 people answered the question (with multiple choice)



#### 6. When you take over new clients from other accountants, in roughly what % of cases do you find an error (i.e. something not done right) or omission (i.e. something not done that should have been done) made by the previous accountant. INSERT A NUMBER FROM 0-100% in the text box.

251 out of 256 people answered the question



Average (mean)  
response = 48.6%

**7. When you take over new clients from other accountants, in roughly what % of cases do you find that the previous accountant has missed one or more deadlines? INSERT A NUMBER FROM 0-100% in the text box.**

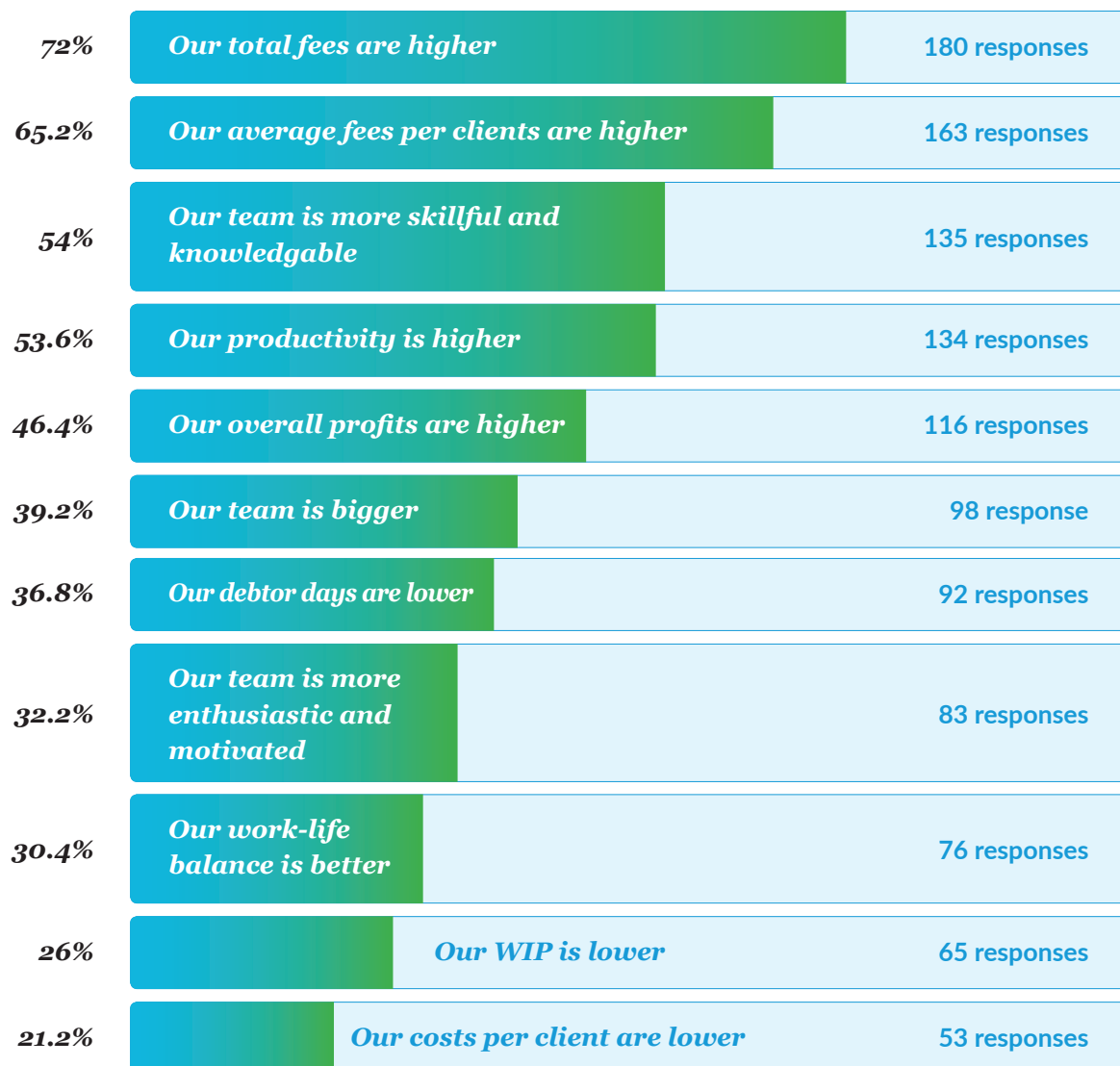
*251 out of 256 people answered the question*



*Average (mean)  
response = 24.4%*

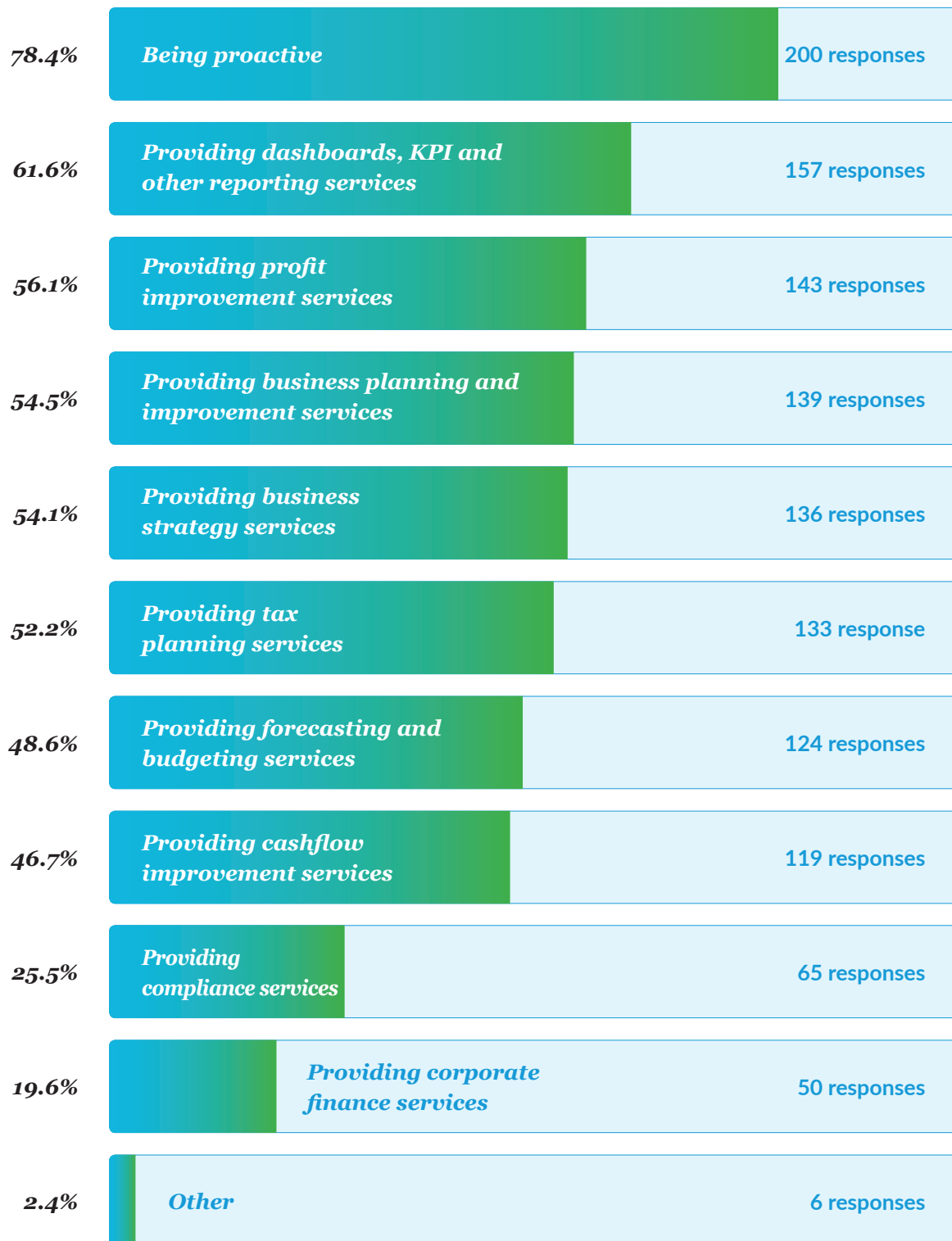
**8. Compared to 3 years ago:**

*250 out of 256 people answered the question (with multiple choice)*



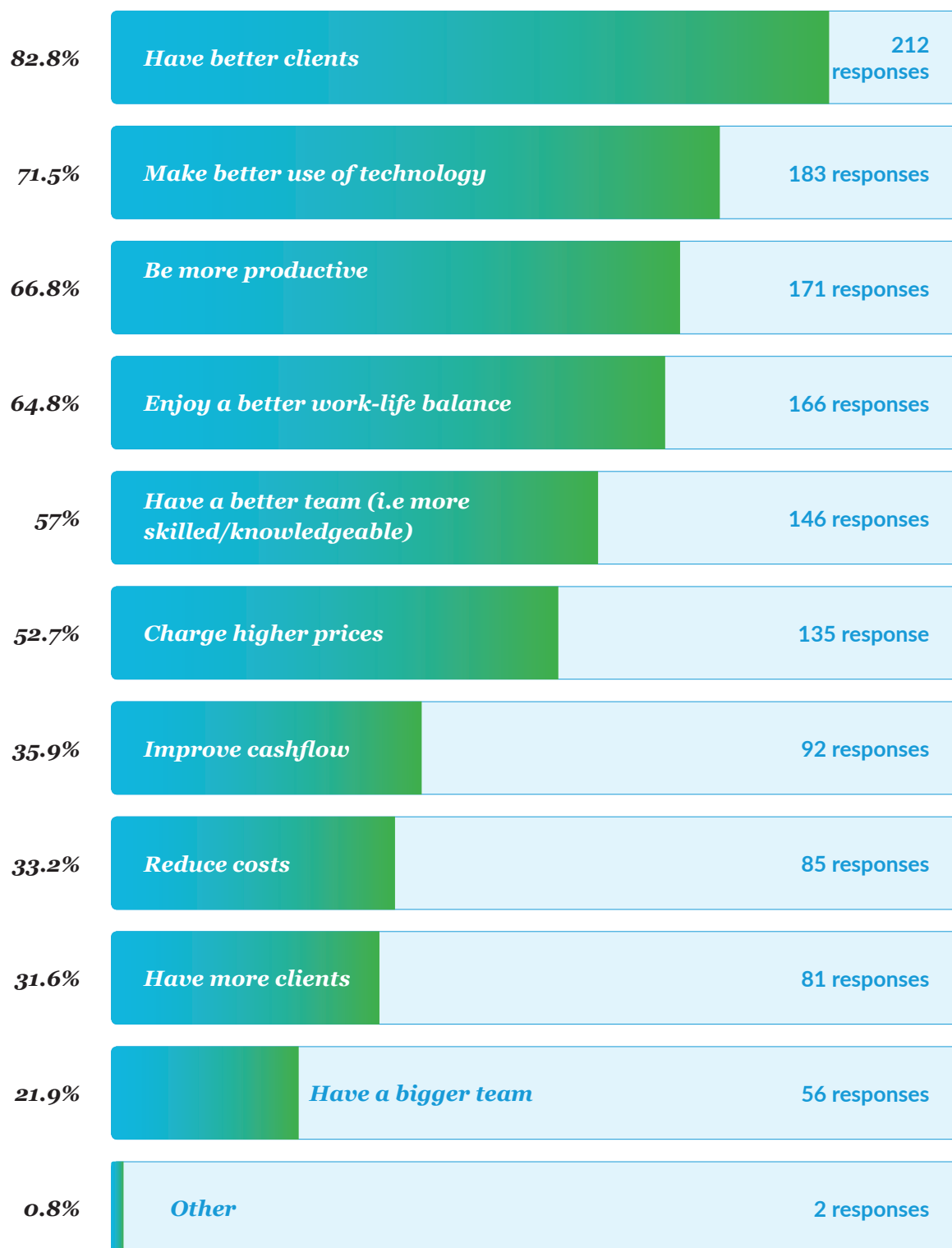
## 9. In terms of how we help clients, we need to get even better at:

255 out of 256 people answered the question (with multiple choice)



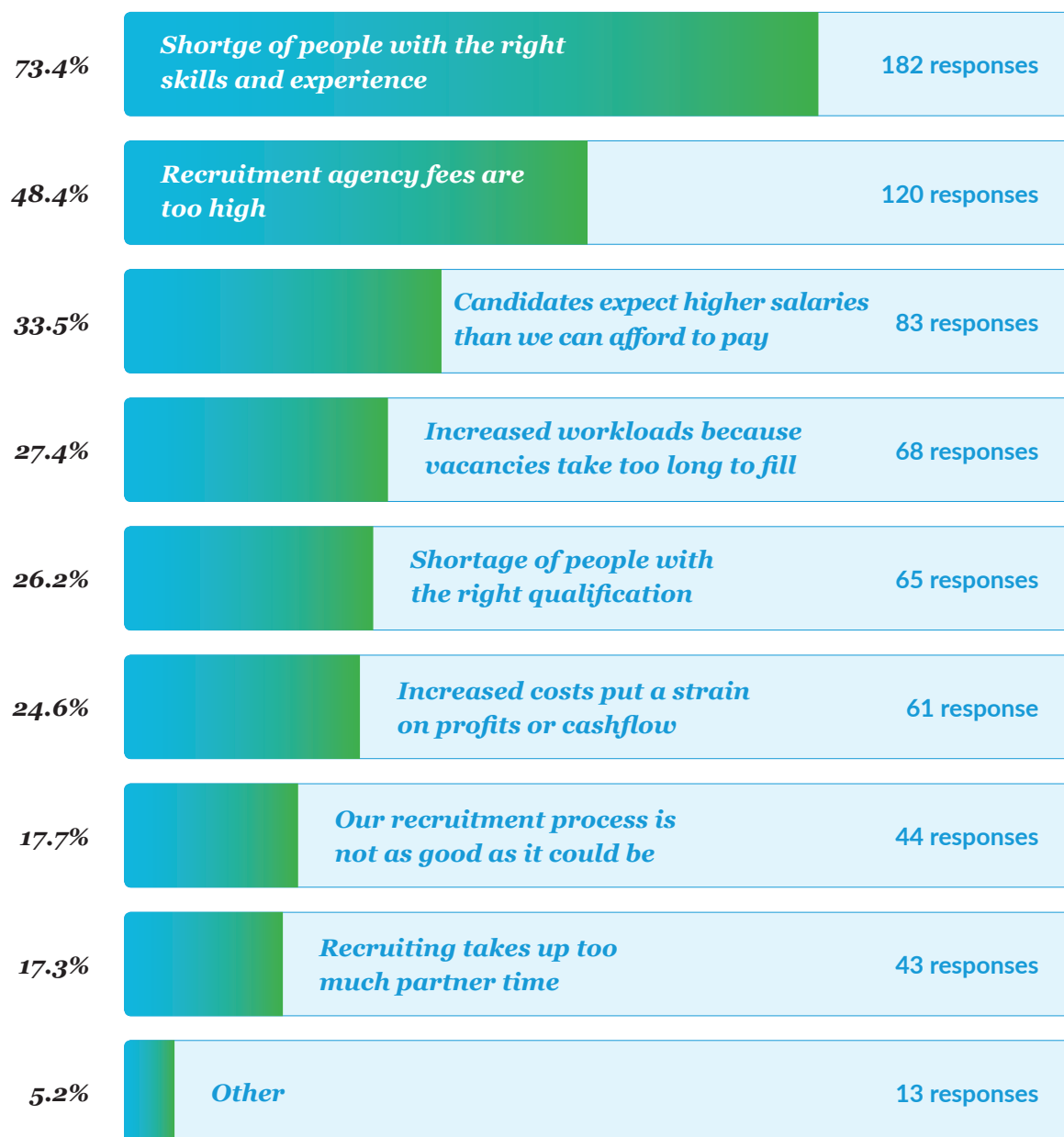
## 10. To make things better for ourselves and our firm we want to:

256 out of 256 people answered the question (with multiple choice)



## 11. The key challenges we face in recruiting great team members are:

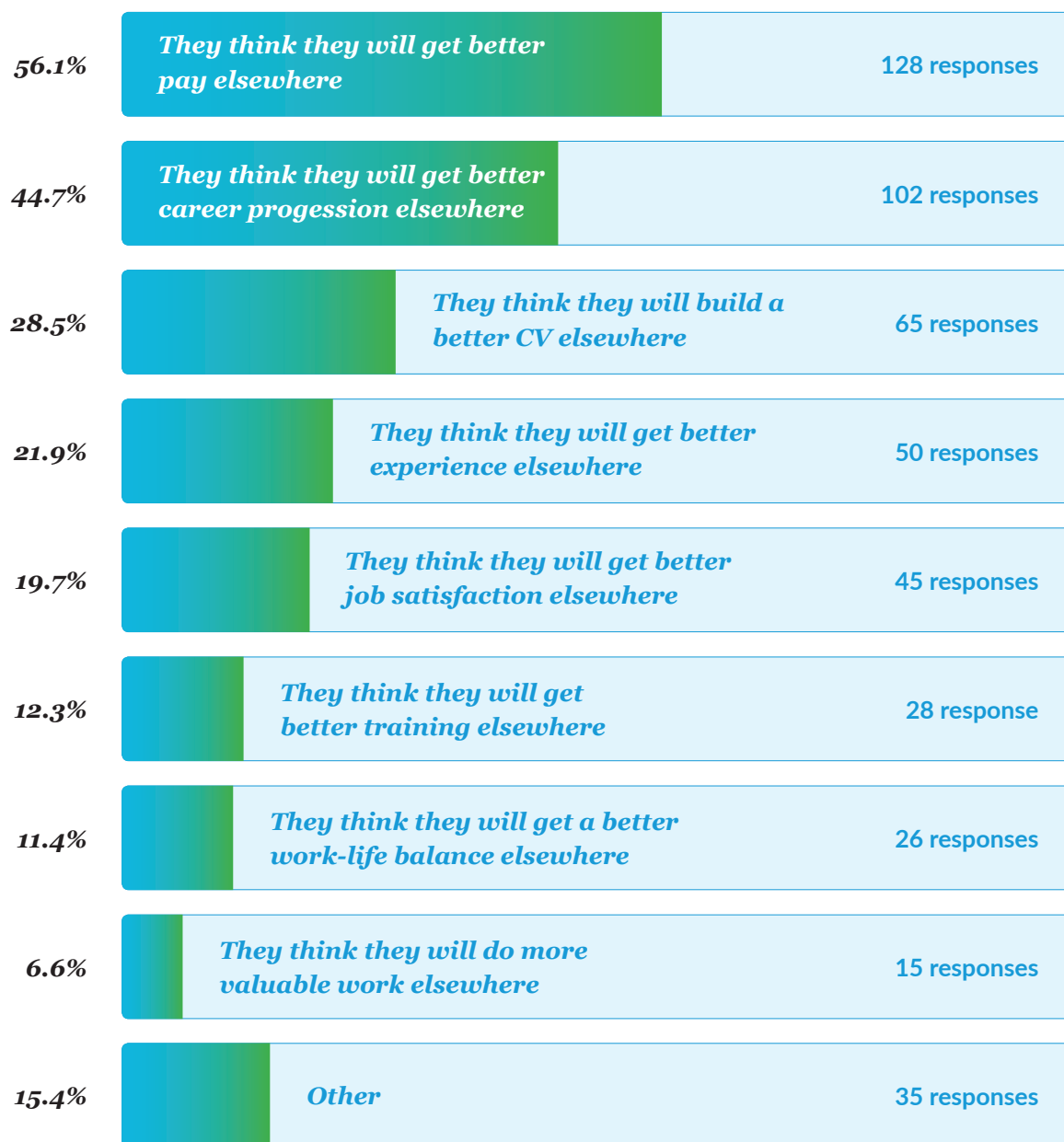
248 out of 256 people answered the question (with multiple choice)





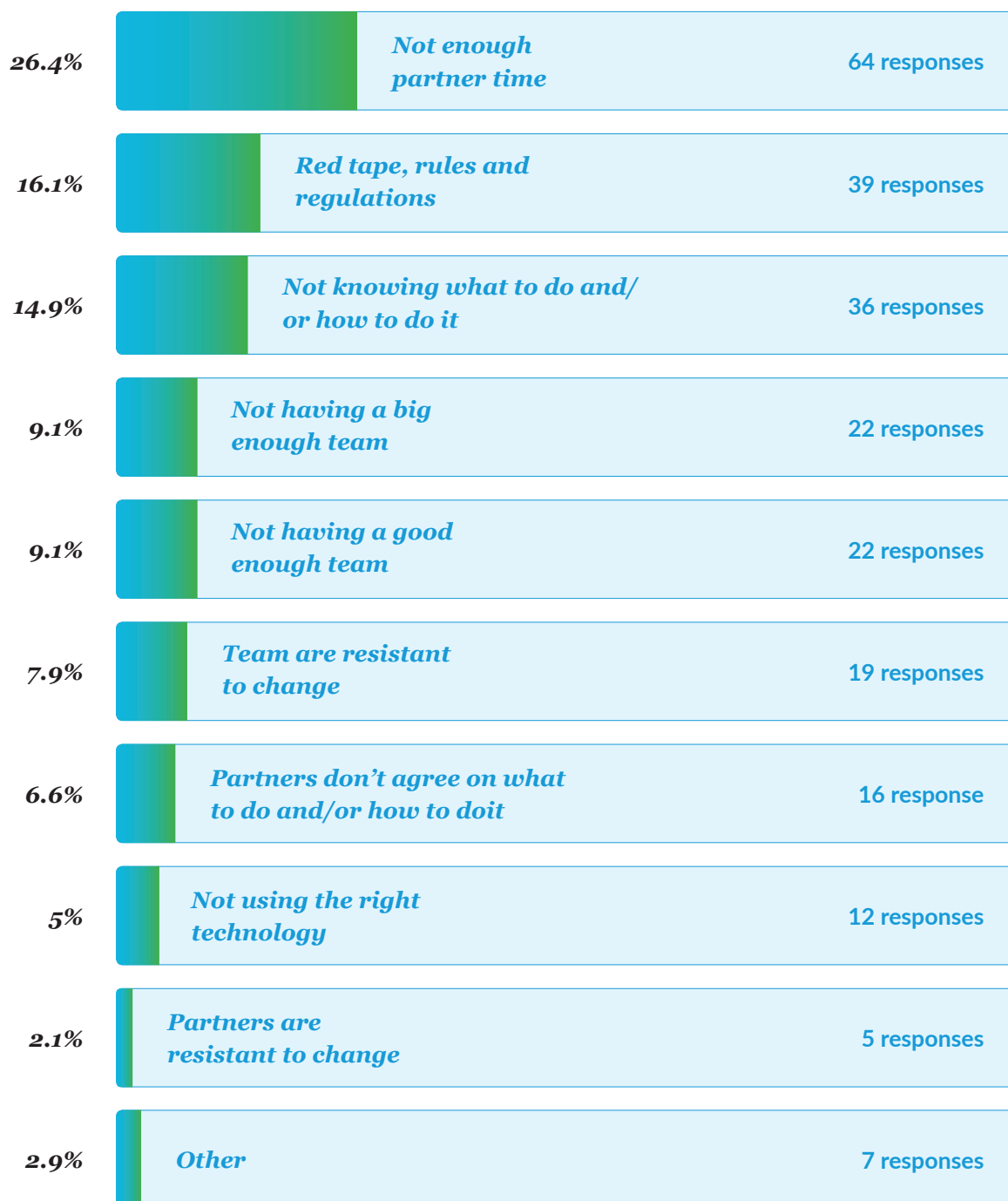
## 12. The key challenges we face in keeping great team members are:

228 out of 256 people answered the question (with multiple choice)



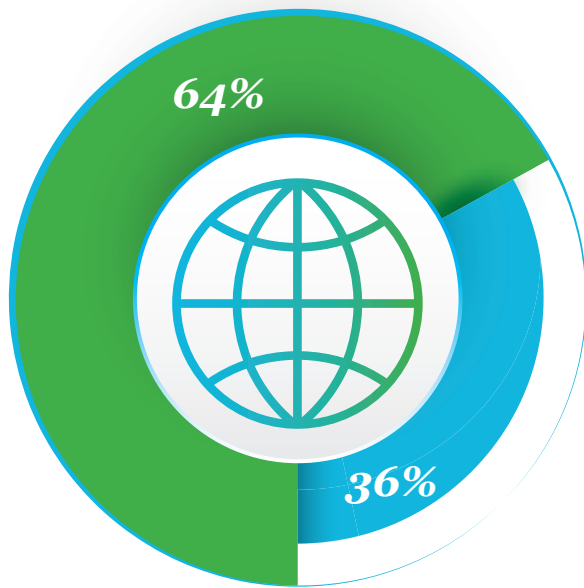
### 13. Which of these factors make it difficult for you to achieve all of this:

242 out of 256 people answered the question



## About the sample

Originally it was envisaged that the research would look exclusively at the UK accounting profession. So the invitations were targeted at UK accountants. However, the nature of an online survey is that it can be seen and entered from anywhere in the world.



*The email addresses etc given by respondents show that at least **64% are UK based**. But it is less clear for the remaining **36%, who could be from anywhere in the world**.*

Consequently we can be confident that the results are highly relevant to the UK profession, and are also likely to be relevant to the profession globally.



## About QXAS UK

QX Accounting Services (or QXAS), helps accountants prioritise – by meeting staffing shortages and taking care of non-core functions like payroll, bookkeeping, taxes, and much more – so that accountants can focus on scaling their practice and increasing revenues.

We house over 300 experienced and qualified accountants to help accounting practices do their accounts, taxes, bookkeeping and payroll tasks – using major UK accounting software packages like Sage, Quickbooks, Xero, CCH and IRIS. In this vastly digitising accounting landscape, QXAS frees up the time for accounting practices to focus on upgrading their resources and upskilling their employees for our rapidly evolving industry.

Our expert family of brands – QX Ltd., QX F&A and QX RPO – has been creating substantially more value for our clients across three countries – India, UK and US since 2004. In 2018, QX Ltd. became the first outsourcing company in India to be GDPR-Certified which furthered our stance to improve data-security in the offshoring/outsourcing industry. In 2019, QX was named on the IAOP 100 Best of Global Outsourcing List on the basis of our top customer references – concrediting our position as the most trusted and admired brand in the industry. See how QXAS is transforming outsourcing everyday: [www.qxas.co.uk](http://www.qxas.co.uk).

## Join the Discussion Online:



## For more information

Visit [www.qxas.co.uk](http://www.qxas.co.uk)  
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