



ACCOUNTING FIRMS: THE GROWTH REPORT

What's Holding Them Back and The Road Ahead



By: QX Accounting Services

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FOREWORD



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AVP, Sales

Today's accounting firms realize they must plan for uncertainties and bake resilience into their processes. Legacy revenue streams must be optimized, and new ones must be identified, explored, captured, and leveraged. Resilience and future-proofing of firms is the need of the hour. This is only possible with disruptive decision-making which will transform the three critical pillars of your accounting firm – People, Process, and Platform.

Modern accounting firms and CPAs mustn't get trapped within the limitations of 'don't fix what isn't broken' thinking. While the existing work processes aren't broken, they might be doing nothing to make the firm more competitive, agile, flexible, and geared towards growth.

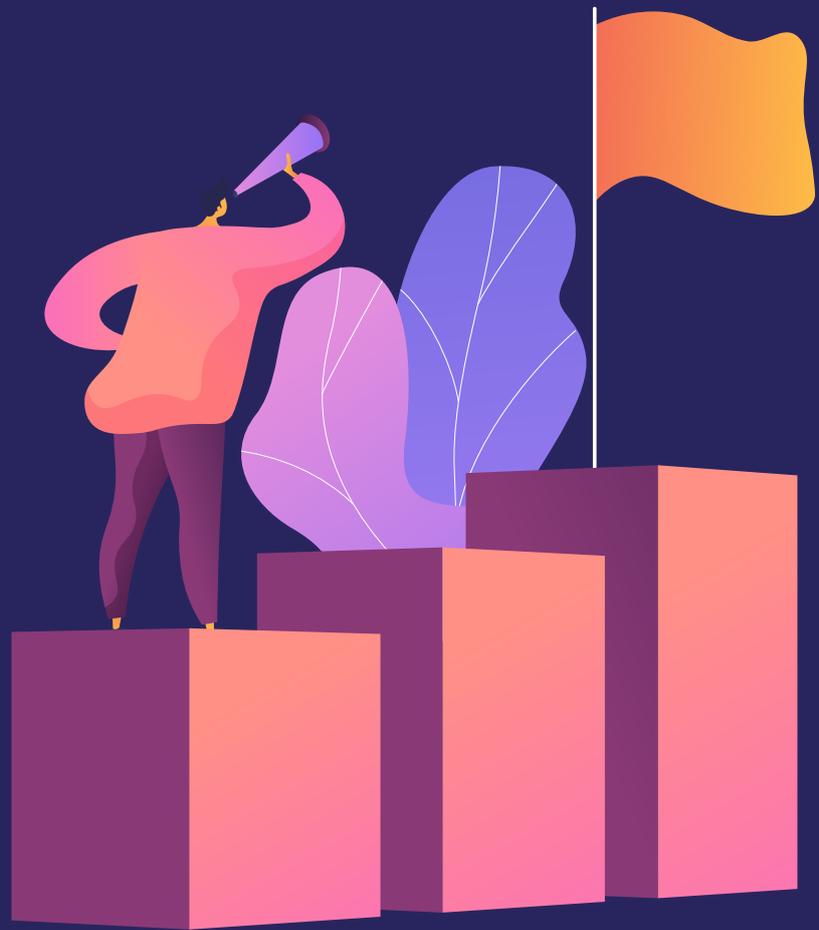
Firms whose focus is evolution lead the progression to 21st Century firms. They need to be more of a collective of 'most trusted advisors' to their best clients, focused upon value-added services while driving efficiencies in current services through restructuring, refocusing, and outsourcing foundational (often commoditized) services.

We held a webinar on [Rethink Traditional Accounting Processes: Drive Firm Growth and Profits with Existing and New Revenue Streams](#), which offered insights on what accounting firms can do to grow their business. At QX Accounting Services, we believe that traditional thinking about growth should metamorphose into a more innovative, and at times radical approach. It's all about rethinking and reimagining the growth journey and choosing newer working models to scale and grow revenues.

We conducted a series of polls through this webinar that gave us a bird's eye view about what accounting firms thought about growth, the barriers, and how they planned to grow their business moving forward.

This report covers the findings from the polls and our opinions that will prove actionable guidance that can drive growth.

IT'S THE TIME FOR EVOLUTION – IT'S NOT A BETTER MOUSETRAP



Accounting firms and CPAs shouldn't look at evolution as just another buzz word. Evolution is an umbrella term that answers the following questions:

? How can my firm build capacity?

? What can the firm do to acquire new clients?

? How can my firm grow its existing revenue streams?

? How does my firm manage client expectations?

? How can my firm cut costs yet grow revenue and build profitability?

? How does my firm build resilience to battle odds like the pandemic?

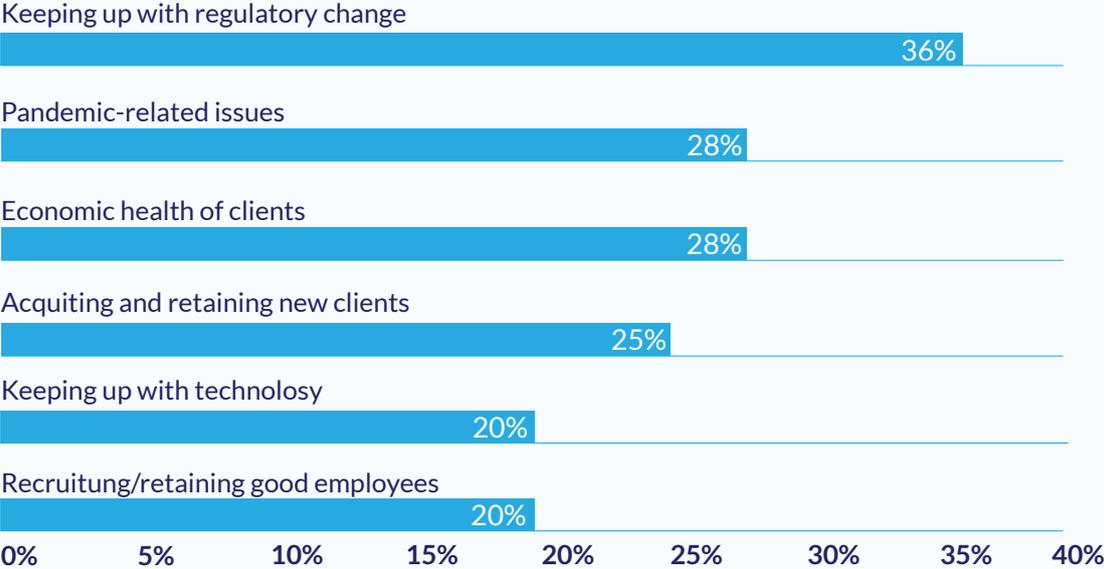
? How do I retain my firm's clients?

The answer to these questions lies in first addressing the challenges impacting your firm's growth plan and proceeding to make growth-focused investments.



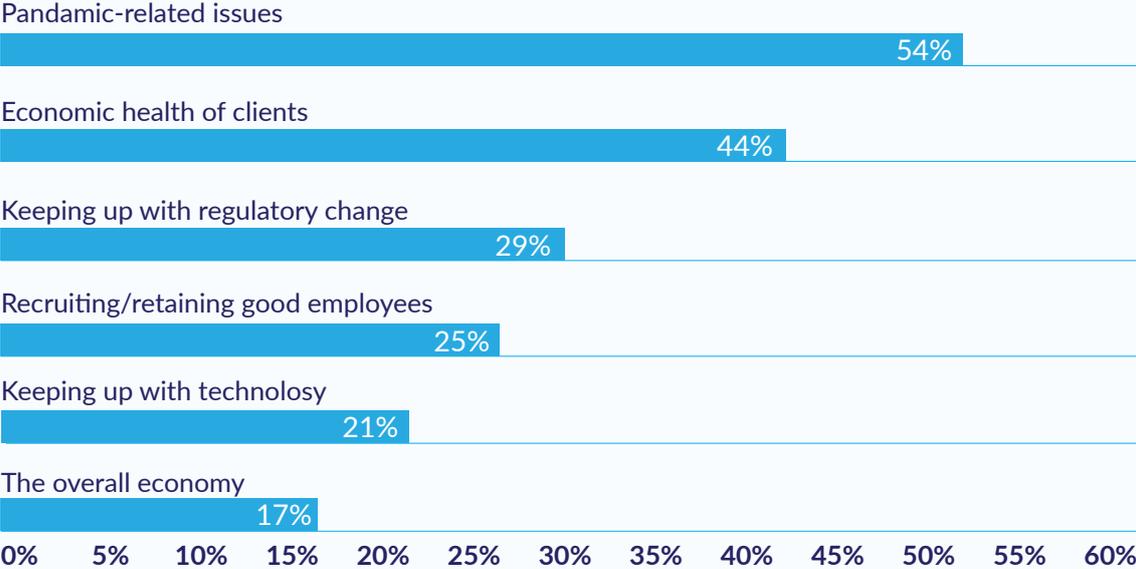
What's keeping up firms at night?

The biggest issues for small firms



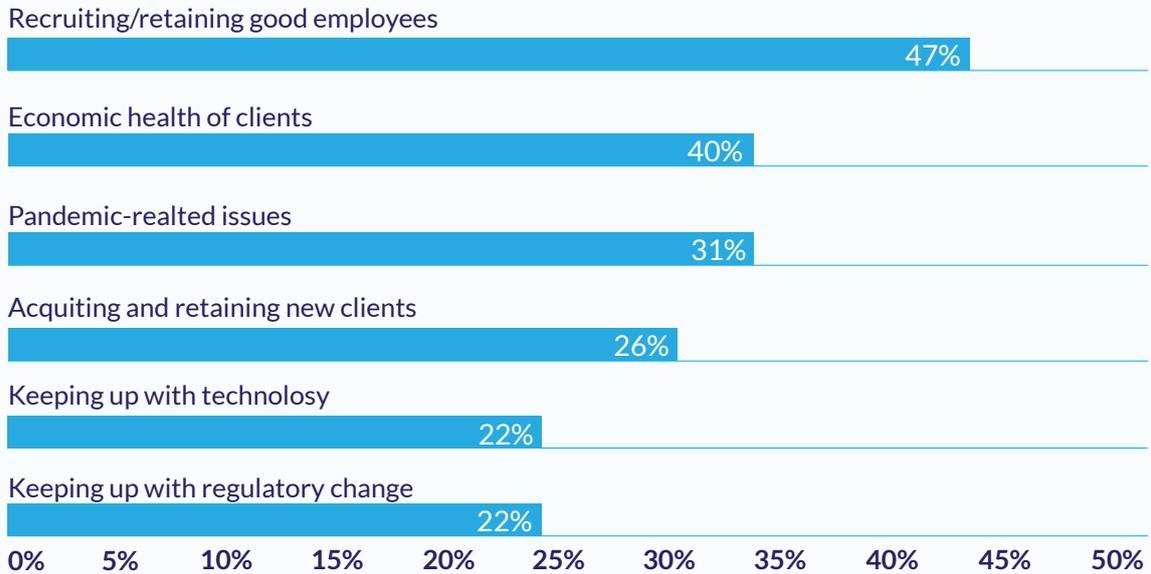
■ % of small firms citing as a big issue Source: Accounting Today 2021 "Year Ahead" Survey

The biggest issues for mid-sized firms



■ % of midsized firms citing as a big issue Source: Accounting Today 2021 "Year Ahead" Survey

The biggest issues for large firms



■ % of mid-sized firms citing as a big issue

Source: Accounting Today 2021 "Year Ahead" Survey

These findings, from [Accounting Today 2021 "Year Ahead Survey"](#), give us an insight into the issues faced by firms of different sizes. Challenges such as 'employee recruitment and retention,' 'client retention and acquisition,' and 'technology-led transformation' are not new. Unfortunately, firms are still suffering from them.

Our polls asked some pointed questions to attendees who were CPA firm owners or were partners and decision-makers in accounting firms about their challenges to growth.



WHAT ARE THE CHALLENGES YOU ARE FACING TO TAKE YOUR FIRM TO THE **NEXT LEVEL?**



35%

of firms said **talent shortage** was a big challenge. This doesn't come as a surprise considering the talent shortage in the accounting industry. Accounting firms are experiencing staff shortages as they find it challenging to retain good talent, who leave for greener pastures.



29%

of firms cited **lack of time** as a significant hindrance to growth. Talent shortage and inability to attract talent result in fewer people saddled with more work they cannot manage. This results in employees getting overwhelmed, especially when the busy season kicks in. Accounting firms are caught between a rock and a hard place because of the massive workload, and they cannot invest time in growth generation activities.



06%

of firms pointed to a **lack of a cohesive growth roadmap** as the real challenge. This essentially means there is no clearly laid out a plan of action in front of them to drive growth. These firms are unclear about what they need to do to grow. They might or might not suffer from a talent shortage, but one thing is for sure, they want to grow but don't have the know-how.



WHAT CHALLENGES ARE FACED BY YOUR FIRM IN A **BUSY SEASON?**



This is a drill-down question that tries to get to the root of the causes impacting accounting firms and their growth objectives. This is especially true in the tax season when there is a chance to get more work done. What is holding firms back?

56%

of firms cited multiple challenges, including a **constantly changing tax landscape, inadequate resources, last-minute workload, and managing demanding client expectations** as the reason why increasing productivity in a busy season was a challenge. Again, a lot of these challenges are related, and one flows from the other. Inadequate resources mean firms cannot take up work, and more importantly, tax preparation that comes in at the last minute is a strict no. Also, what happens to client management and engagement? No time for that as well.



22%

pointed at the old elephant in the room, namely **inadequate resources**, as a challenge holding them back. This essentially proves that staffing issues are plaguing accounting firms, and they must find a solution. Otherwise, their growth might be stunted year on year.

06%

of firms said the key growth inhibitors, especially in a busy season, were an **inadequate resource, last-minute workload, and the inability to manage demanding client expectations**. The client is king; however, in a busy season, wherein firms suffering from a lack of resources are scrambling to work done, the client's expectations are relegated to the back burner. Imagine a marquee client, who wants to talk to you about sending some more high-margin work your way, but you don't have time to get that client onboard. Or imagine some other client who is unhappy with your firm's communication, but you don't have time to assuage the client's concerns. In both cases, you might lose the client.



WHAT ARE THE EFFICIENCIES FIRMS WANT TO BUILD MOVING ON?



75%

of the firms want to focus on business advisory services and client management moving on. At QX, we realize the need to move from being a vanilla accounting firm and building an advisory relationship with clients.



17%

of firms believe the single most crucial efficiency they wanted to build was client management. This would allow them to manage client expectations better and retain clients. Moreover, this ensures they can focus on existing business development and explore new synergies with clients.

08%

of the firms were keen on exploring business advisory services adding this repertoire to their services portfolio. They firmly believe that the next step in a firm's evolutionary process is focusing on business advisory as a key growth driver.



WHAT IS THE #1 PRIORITY OF FIRMS TO DRIVE GROWTH?



75%

of the firms say a mix of **technology implementation, scaling existing workforce, and adding business advisory services** are the areas they will invest money, time, and resources in. The reason is not difficult to fathom. People, Processes, and Platforms drive firm growth, and that is where the investment should happen.

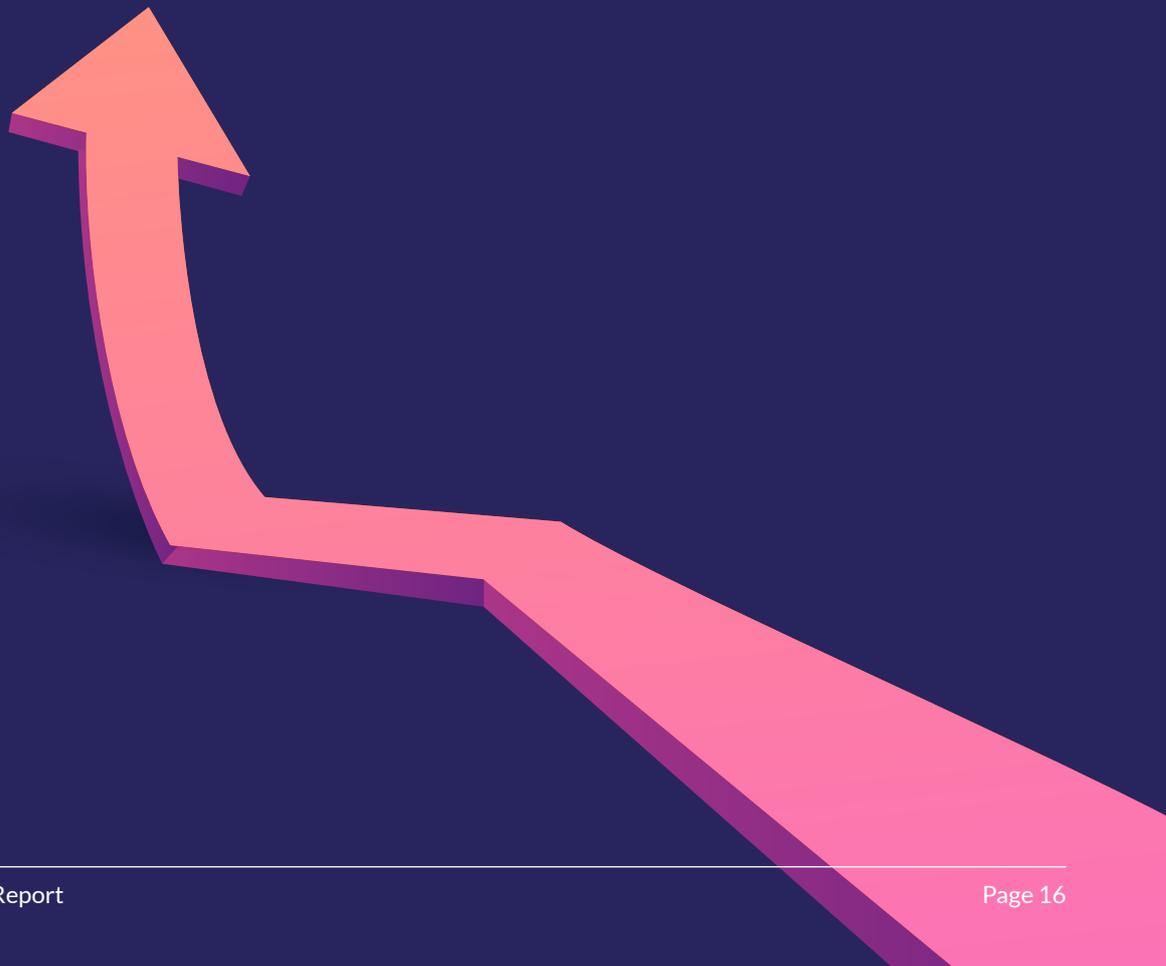


25%

of the firms said their priority would be **technology**. Evolution led by technology is undoubtedly one of the growth drivers as this improves process efficiency and productivity.

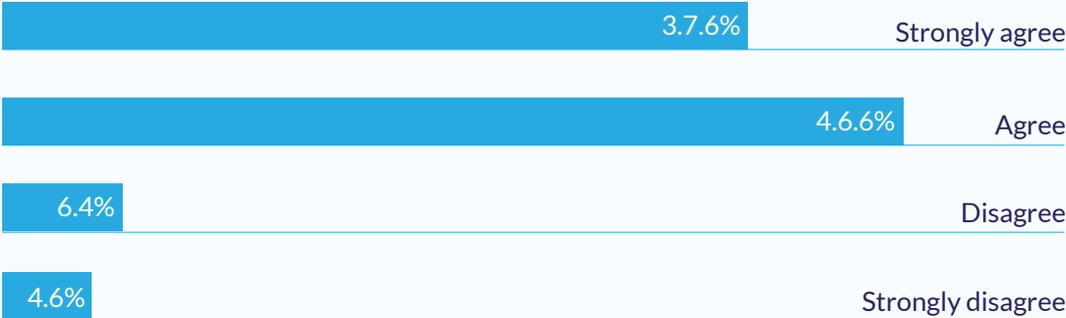


THE ROAD AHEAD – SOLUTIONS PERSPECTIVE

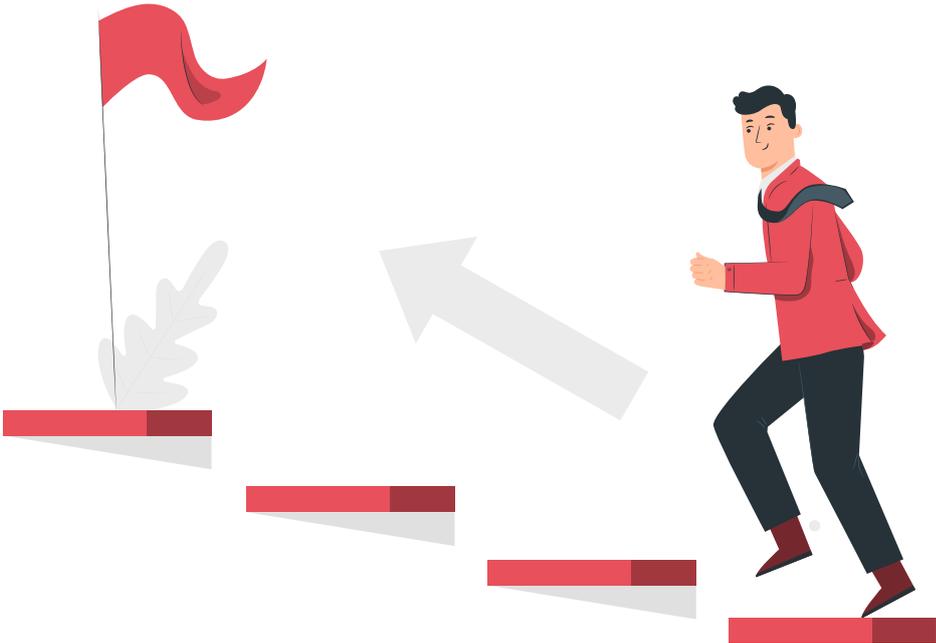


Staffing issues are at the forefront of the challenges faced by accounting firms. This is a foundational challenge, which results in the manifestation of other challenges. Another challenge is the need to upgrade their technology and their inability to do so appropriately.

Emerging tech will improve efficiency post-pandemic



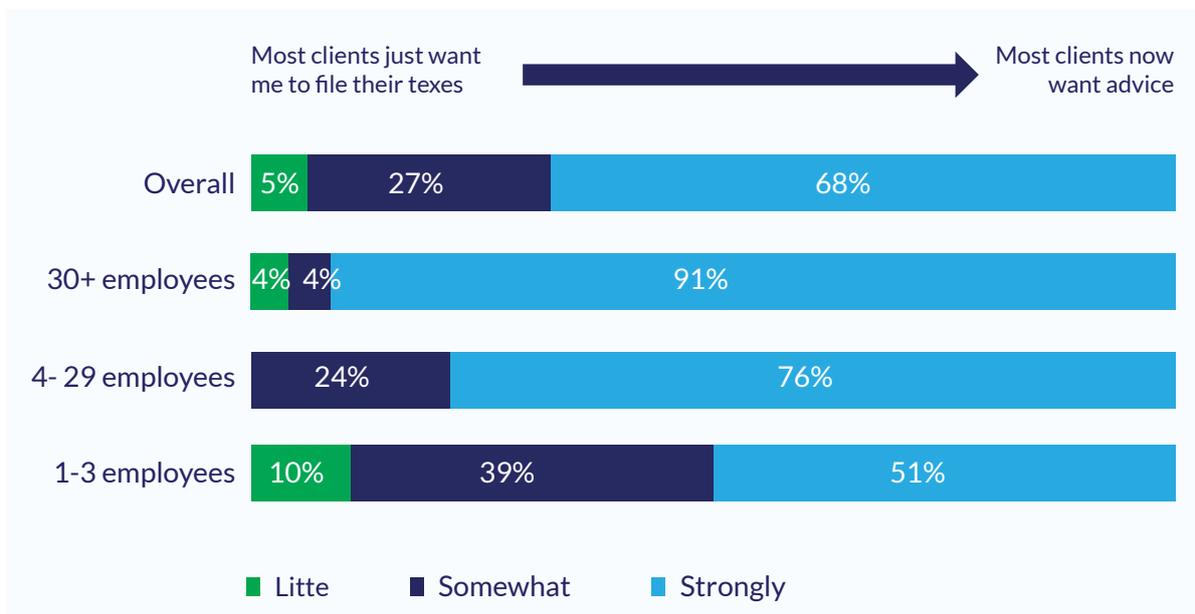
Source: AvidXchange





37.6%

of accountants strongly agree the use of **emerging technology will boost efficiencies**. The problem is implementation and resources.



Source: <https://tax.thomsonreuters.com/en/accounting-solutions/c/insights-for-tax-professionals-2021>

The accounting profession is also undergoing some radical changes. 95% of tax professionals say their clients want them to offer business advice, but only 59% are confident about their business advisory skill sets. This is a difficult bridge to cross, and the inability to scale their team is one of the reasons why they cannot shift focus to business advisory.

So what can firms do to address these challenges and grow their business? Traditional processes and staffing methodologies are not going to work anymore. It is time to think differently and evolve strategies.

Working with offshore accountants and outsourcing commoditized accounting services to offshore accountants, bookkeepers, and tax preparers is the way ahead. Accounting firms can address their staffing needs without worrying about the talent shortages in the accounting industry. Your firm can access the best accounting professionals without going through a lengthy recruitment cycle and still keep costs in check.

What's more, the fact that tax compliance work is outsourced means your firm frees up time for client engagement and staying on top of work from marquee clients. Also, reputed outsourcing providers work with world-class accounting software, which can decrease the need for your firm to make a substantial investment in technology.

HOW CAN QX ACCOUNTING SERVICES HELP?



QX Accounting Services has been helping accounting firms, and CPAs in the United States access experienced and expert offshore accounting professionals since 2013. We provide bookkeeping, accounting, tax preparation, and payroll services to a growing number of CPAs, EAs, and accounting firms across the USA.

- ^ An award-winning company that is SOC 2 Compliant
- ^ Comply with ISO 27701, a global privacy compliance framework
- ^ ISO 27001 compliance for security and ISO 9001 compliant for quality management
- ^ 'Leader' category on the 2021 Global Outsourcing 100 list an annual award by IAOP®
- ^ A steady stream of qualified bookkeepers through the QX Academy
- ^ ACCA- approved Gold Employer

Our services are founded on three key pillars: People, Process and Platform and it is these 3Ps that allow us to offer world-class accounting outsourcing services to our clients.



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