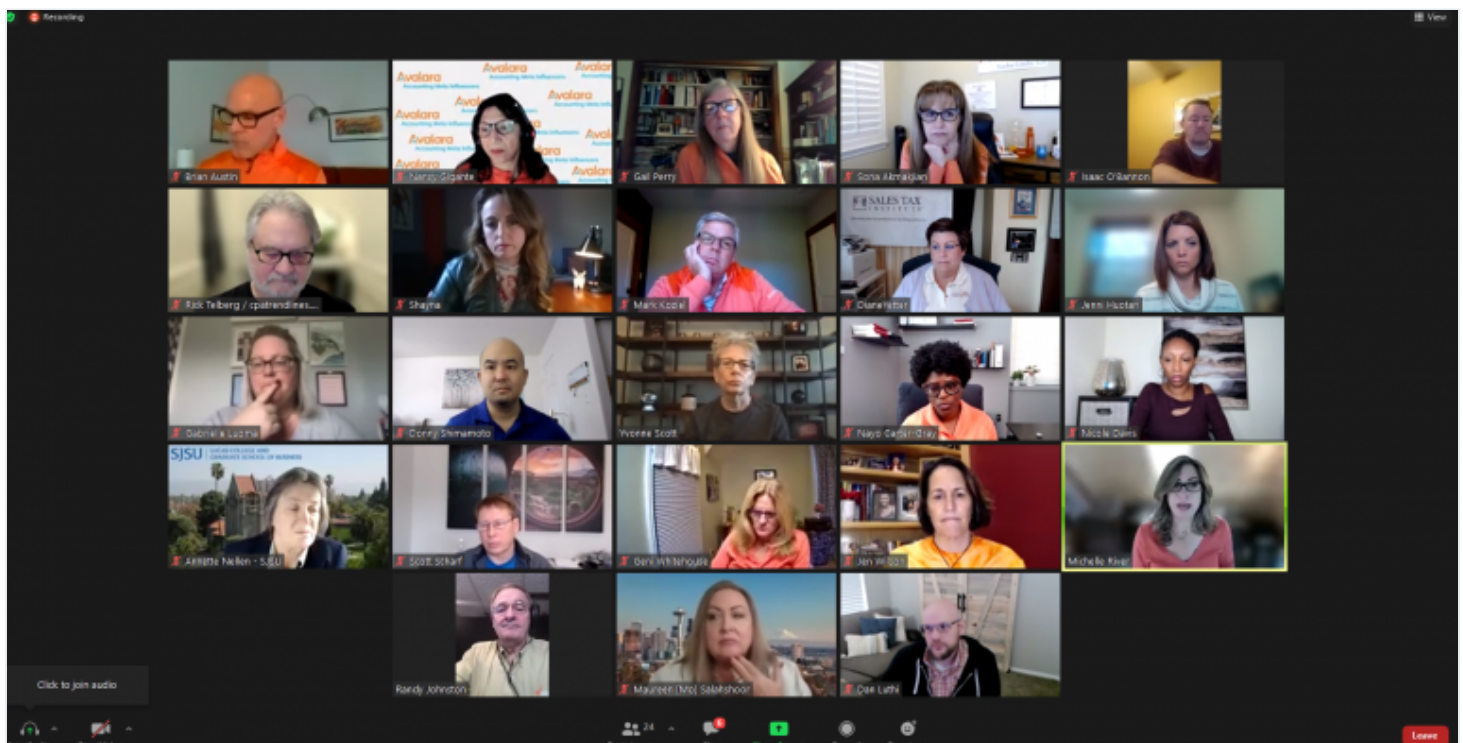


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provider Avalara as the Accounting Meta Influencers, gathered for an online video roundtable to discuss current trends facing the accounting profession.

Isaac M. O'Bannon • Nov. 17, 2021



## Staffing, Technology and Pricing Posing Greatest Challenges to Profession

As we near the two-year mark of coping with the effects of Covid-19 on personal and professional lives, staffing, remote firm and client management, and evolving advisory services are among the key areas challenging professional accounting firms.

Nearly two dozen accounting thought leaders, organized by compliance automation provider Avalara as the Accounting Meta Influencers, gathered on November 1st for an online video roundtable to discuss current trends facing the accounting profession. The practitioners and influencers are challenged to develop actionable strategies for firms to address pressing issues, and will convene quarterly. Gail Perry, a

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for a new job, and most wanted one with at least three days per week being remote. Nearly 20 percent wanted a new job that was fully remote.

This restless workforce is affecting firms directly as well as their clients, as businesses of all sizes are also facing the challenges of labor shortages.

"Clients are struggling," said Yvonne Scott, founder, CIO Concierge. "We now have a national labor market, even for firms and businesses that are not national companies. Unfortunately, many are still trying to source staff locally, and want people to move closer. Professionals are increasingly unwilling to do that, and so it's necessary to change how we consider compensation and salary structures."

"That's the beauty of remote work," said Jen Wilson, CEO and founder of ConvergenceCoaching, LLC, which provides firm management consulting. "Borderless reach for clients and staff allows firms to reimagine ideal clients and fee structures. That includes client pricing, and as much as 20 percent price increases and letting go of clients you can't serve profitably."

According to Wilson, the dynamics of the market are increasing the need for accounting and advisory services, at the same time firms are facing staffing challenges. The result is a seller's market for firms, which are now able to adjust their fees upward or focus on more profitable clients. Likewise, however, staff compensation and benefits must be adjusted upward, as well. Wilson noted that many larger firms on the coasts are poaching remote staff to work remotely but at coastal salaries.

"Raises have to be 10% or better, but that still doesn't keep pace with coastal companies," Wilson said. "Four or 6 percent won't cut it. Additionally, stay bonuses are critical, so firms need to conduct re-recruiting interviews with questions like, what do you like, and how can I help you?"

She also noted she doesn't care when her staff does their work. "Many of these

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pricing must be communicated to clients, of course.

"A small firm we advise sent letters to clients about pending pricing changes, and explaining that they may end up having to pay even more if they left and went to another accounting firm," said Michelle River, president of Fore LLC, which provides growth and pricing consulting to firms. She noted that most of that firm's clients accepted the price increases and those who were most reluctant were generally less profitable clients, anyways.

Not all firms have the same ability to raise fees to cover increased staffing costs, said Shayna Chapman, a CPA and owner of Ohio-based Shaynaco LLC. "Non-coastal firms are not able to poach coastal staff," she said. "Firm revenue and compensation can't be as competitive for many reasons, including smaller clients with lower revenues, and even lower income tax clients."

For firms that can't match the coastal salaries, work-life balance and other benefits can be a critical factor in recruiting. However, as Dan Luthi pointed out, "Over-inflating prices and pay will lead to an imbalance of pricing and negotiation." Luthi is a partner at Ignite Spot Accounting Service and an author at the "Firm of the Future" blog.

"It's critical to make sure current staff are happy – when and how to change compensation – to make sure they don't leave," said Nicole Davis. At her Atlanta firm Butler-Davis Tax & Accounting, she says "we've made Fridays optional [4-day workweeks], increased PTO, and moved to 20-day PTO accruals in addition to holidays and other PTO days."

Donny Shimamoto agreed. "Our firm has longer tenure, but we manage to pay below market because of our greater work-life benefits," he said. "We give our staff lots of trust and leeway and teach them how to draw boundaries. With increased

workloads, staff need to learn how to turn off.” Shimamoto is the founder and

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noted. “One firm never had more than 4.5 percent turnover in 30 years, but in 2021 they had more than 20 percent. With many professionals now working from home, there are many more options, and firms are taking more care, better addressing compensation and workload, as well as paying more attention to people details.”

In his consulting firm, Johnston says they typically pay more, restrict hours, and give the best benefits they can, including perks medical like orthodontia. “If the business owner is making money, I want to share it.”

Like most firms, Gabrielle Luoma, CPA, says her outsourced accountancy and advisory firm, Tucson-based MOD Ventures, has increased the use of virtual meetings, not only for clients, but also for one-on-one conversations with staff. “Are the staff taking PTO? Let them go, encourage them to use it. We try to ensure the firm supports the team we currently have and make sure they stay happy,” she said.

The firm also invests time in cross training, Luoma said, so other staff are up-to-speed on each others' clients. “This way, when it comes to vacation, they can really unplug and not have to check in. When you have great staff they want to check in while on vacation, but you don't want that. You need to build an environment that is collaborative and supports other staff.”

According to Rick Telberg, CEO of CPA Trendlines Research, the high turnover rates and staffing challenges may not be a negative. “Forty percent of firms are not taking on new work, but 60 percent say they are in expansion mode – even if they can't find the people. But firms with the highest potential turnover are the best firms, innovating, ahead on technology, hitting their numbers. The people in play are at the best firms, and yes, the best people are in play. It's some of the not best who are sticking around. Maybe firms should force a little turnover with clients and staff.”

## Education

Directly related to staffing was the career-readiness of recent university graduates

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Nellen, CPA, a professor and director of the MST program at San Jose State University. “Half of our students are working professionals, and their whole life is connected to tech these days. But the employment model still has 19th century elements. Students feel overworked. It may be time for a new social contract in the accounting field.

Shimamoto, who was involved in the AICPA's CPA Evolution Initiative, said changes are already being made to the model accounting curriculum to incorporate more IT understanding and data analytics. These changes will also be reflected in the CPA Exam in 2024.

Luthi agreed, saying the development of education is moving in that direction. “In three to five years from now the market will be challenged. Firms can't own every aspect of new worker life.”

Luoma noted her firm is “reskilling everyone that comes in, because our firm has specific ways of doing things. We are not a traditional firm and are constantly evaluating how to do things better. Which is why we connect with local colleges – to teach them what we're looking for. Modern accounting is not just plugging numbers into boxes – there is creativity needed.”

## **Moving Forward**

How are firms working toward solving these near and long-term challenges? In addition to more generous compensation, more attentive staff management, and proactive client management, many of the participants had specific advice.

Gail Perry asked the group, “What things are new because of Covid-19 and how can firms take advantage of these trends? Staffing, models, type of staff? How can firms change how we deal with remote employees and clients?”



Nayo Carter-Gray, an EA and founder of 1st Step Accounting, noted that it may be

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technology firm.

But overall, firms need to be completely on board with either fully remote staff or at least a hybrid model that enables staff to choose.

While many workers are attracted to remote work, Nicole Davis says some of her best staff would prefer an office setting. "Some staff say they can't work from home. Some people aren't amenable to it," because of workspace issues, distractions or other factors like lower accessibility to business class internet at home.

Carter-Gray agreed. "Some people don't like work from home – they need to separate the two with a different environment." She says that some firms are providing remote workers with a stipend to use for occasional office space rental, such as WeWork spaces to supplement their ability to get the job done."

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