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prepare for the following five fundamental changes.

**James Paille** • May. 11, 2023



*By James Paille, CPP.*

Accounting firms have faced a volatile profession in the past year as teams struggled with burnout while **staff shortages increased, regulatory changes caught firms off guard** – increasing compliance and security concerns – and tax laws became increasingly more confusing for clients and CPAs alike.

Evolving client demands **rank among** the top drivers influencing recent shifts in accounting and firms must find new ways to deliver exceptional service. As

accounting firms strive to adapt to new challenges, ensuring they deliver on their

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surprising as more than 500,000 U.S. accountants and auditors have left their jobs between 2021 and 2022.

The war for top accountancy talent has many firms thinking of innovative ways to attract and retain top people. Historically, the accountancy profession has offered low starting salaries for new graduates and harnessed legacy software that required repetitive and mundane manual processes to get the job done.

Now, firms will need to break these historical ideologies and embrace new processes and tools to attract young talent. Higher starting salaries can make firms more competitive and attract students to explore accounting as a potential career option. Furthermore, harnessing workflow technology can enable firms to streamline tasks and invest in professional development for promising employees.

- **Payroll expectations to change**

In 2022, 61% of accounting firms reported offering their clients payroll services. Firms understand offering payroll services alongside traditional bookkeeping and accounting services can create a new recurring revenue stream for their business and offer value add for clients.

But the possibility of new federal regulation around money transmitter license requirements for payroll providers has been looming for several years, with some states having already enacted state level requirements. Firms must begin evaluating their payroll provider if they already offer payroll to ensure they remain compliant when new regulations go into effect.

- **Cloud-based software systems become the norm**

Along with the move away from legacy technology to strengthen talent attraction will come the adoption of new cloud-based systems. Today's young talent grew up

with cloud technology in their everyday lives – from completing school assignments

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Accountants are privy to key business documents, including financials, organization structure and planning. Their access to these documents makes accountants a precious resource to executives. But executives often cannot sift through thousands of documents to find key insights to inform their strategy.

Over the next several years, businesses will likely increasingly turn to their accountants to analyze critical business data and provide key insights and analysis to inform business decisions. Along with this shift, firms must harness the technology that enables this type of analysis.

- **Cyberattacks will increase**

Accounting firms house sensitive client financial data, making them a prime target for cybercriminals to execute attacks. [Q1 2023 alone saw 1,707,880](#) cyberattack victims in the financial services sector. Furthermore, accounting firms that rely on legacy systems for core business processes are at heightened risk for an attack. Cybercriminals often look for the path of least resistance and outdated or unpatched systems create an easy entry point.

Cybercriminals will continue to evolve their tactics, and as such, firms must adopt technology focusing on data security. They must also extend this expectation to third-party vendors and look for cybersecurity certifications such as System and Organization Controls (SOC).

### **Prepare for the future**

The accounting profession will continue to significantly change over the next few years – with the current talent shortage and changes to the CPA exam format taking effect in January 2024, impacting the talent pipeline into the profession. Firms must

take action today to remain ahead of their competitors by continuously driving value

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