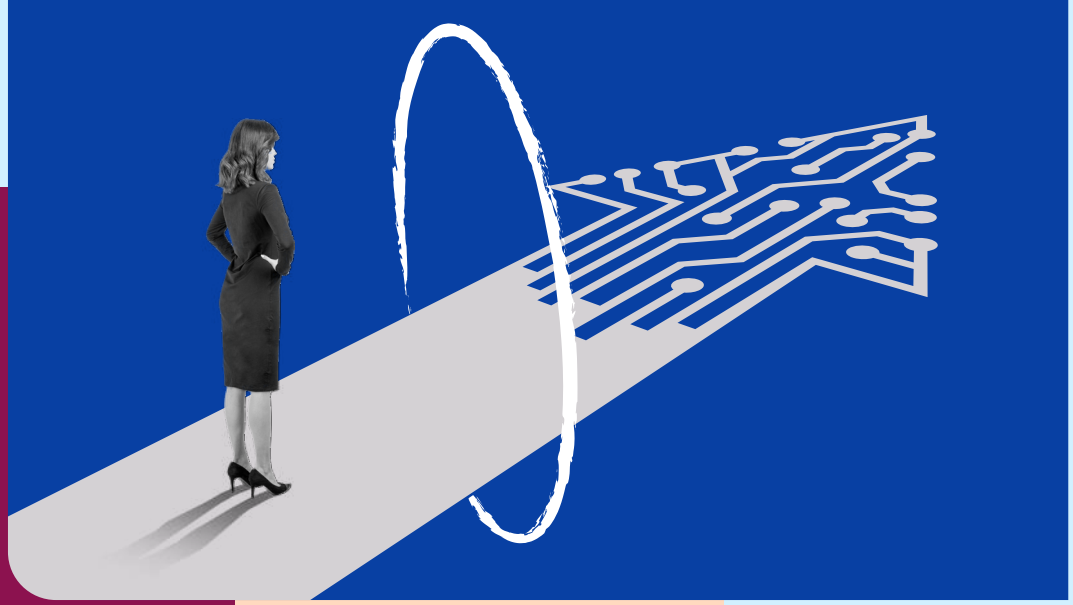


State of Accounting Firms

Trends Report 2023

caseware

Table of contents

01 Introduction

02 Highlights at a glance

03 About the survey

04 Top challenges

06 Talent management trends

07 Talent management troubles

08 Talent retention

09 Technology trends

10 Approaches to technology adoption

12 Technology adoption on the rise

14 Types of technologies

15 Client management trends

16 Client collaboration

18 Client engagement efficiency

19 Advanced technology trends

20 Journey to the cloud

22 Analytics software

24 Adding business intelligence

26 Automation technologies

27 Key takeaways

Introduction



Curiosity, determination and an innate desire to look deeper, go beyond the obvious and uncover the true meaning behind the numbers: these are some of the qualities that define members of the accounting profession. They are constantly seeking ways to do their work more effectively and thoroughly — which makes this current era of accounting perhaps the most exciting ever.

Accountants now have an arsenal of exciting new tools that can help them carry out the kind of work that meets their exacting standards. Advanced technologies like cloud computing, business intelligence and data analytics are allowing accountants to help their clients, colleagues and corporate leaders in ways like never before.

Helping accounting firms keep pace with change and thrive in their constantly transforming world is at the core of Caseware's philosophy. It's crucial that we understand exactly what is changing and what new challenges accountants face as we build the technologies that prepare them for the future. And sharing our knowledge about today's latest and most important trends is equally important.

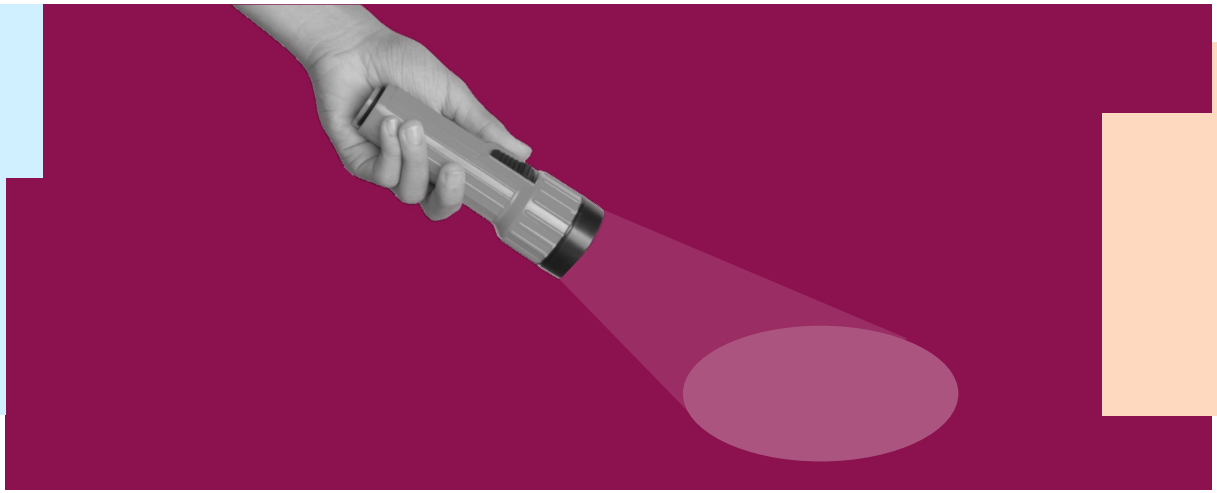
To that end, it gives me great pleasure to present Caseware's second annual *State of Accounting Firms Trends Report*. Based on a survey of more than 4,100 respondents, this year's report examines what technologies are growing the fastest, and why. It also sheds light on today's most pressing practice management challenges and reveals how firms are dealing with them.

I invite you to view the findings and also consider the many valuable insights provided throughout by your peers and some of the industry's top thought leaders. Our aim is to provide you with a solid understanding of where the industry is, where it is going, and how you can ensure your firm remains successful in this ever-changing industry. I hope you find it to be a source of valuable and useful information for the year ahead — a year that will not be short on either challenges or excitement.

Sincerely,



David Osborne, CEO, Caseware



Highlights at a glance

Talent management a top challenge

Accounting firms are finding it increasingly difficult to not only find qualified talent, but also to hang on to it.

Cloud adoption keeps rising

Firms are realizing the benefits of both hybrid and pure cloud models, and a heightened sense of urgency is driving quicker adoption rates.

Virtual-world realities hit hard

Three years after the dawn of the pandemic, it appears accountants are still adjusting to communicating and collaborating with clients over virtual platforms.

Business intelligence catches on

With more customers looking for strategic advice from their accountants, firms are wising up to the value business intelligence software can bring to their advisory efforts.



About the survey

Caseware conducted the 2023 State of Accounting Firms Survey from September to the end of November, 2022. It was offered in three languages: English, Spanish and French, and garnered 4,143 validated survey completions.

The most frequently chosen title among respondents was Engagement Manager/Senior Manager (19 percent), followed closely by Partner/ Managing Partner (18 percent) and Staff Accountant at 17 percent.

In terms of organization size, just more than one-quarter of respondents (26 percent) had 20 to 50 employees, while just slightly fewer (25 percent) worked for outfits with 51 to 100 employees.

When it came to the size of their accounting practice, nearly one-third (31 percent) had five to 10 employees, while 27 percent had 11 to 25 staff members. Practices of one to five employees accounted for 18 percent of responses.

Survey respondents were required to provide answers for each question in order to participate. They were offered the opportunity to give written comments for each question. The final survey question allowed respondents to offer any general comments about the survey, their profession, or anything else about the state of accounting firms. A selection of these comments appear throughout as “Peer Perspectives.” For privacy reasons, names are not included.

Top challenges

The biggest practice management challenges among survey respondents were related to new ways of working: "Communicating with clients in a virtual world" was the most frequently cited challenge, with just under 40 percent of respondents (see full breakdown on the following page) identifying it (participants could choose up to three options). "Using new technologies" was a close second, coming in at nearly 38 percent, while "Adjusting to working remotely" was the fourth-most common choice at nearly 35 percent.

Clearly, accountants are still coming to grips with technologies that most were forced to adopt due to the COVID-19 pandemic. It is an encouraging sign, however, that "Using new technologies" dropped by five percent from last year, indicating that there is at least some developing level of comfort with the new tools that firms have adopted.

The fastest-rising challenge from last year's survey, however, is the situation around talent management. "Finding the right talent" saw an increase of a whopping 21 percent, skyrocketing from 14 percent to 35 percent. It's clear that practices are struggling to find new staff that have the accounting skills deemed necessary to perform work at a level acceptable to clients; some, sadly, are even having to turn business away due to a shortage of staff.

Industry Insight

"You just have to look at the universities. There are less kids going in for accounting. So your pool is getting smaller from a graduating perspective, which is then leading to the higher stress levels at CPA firms."

— Richard McClure, Senior Manager of Operations, Wipfli LLC

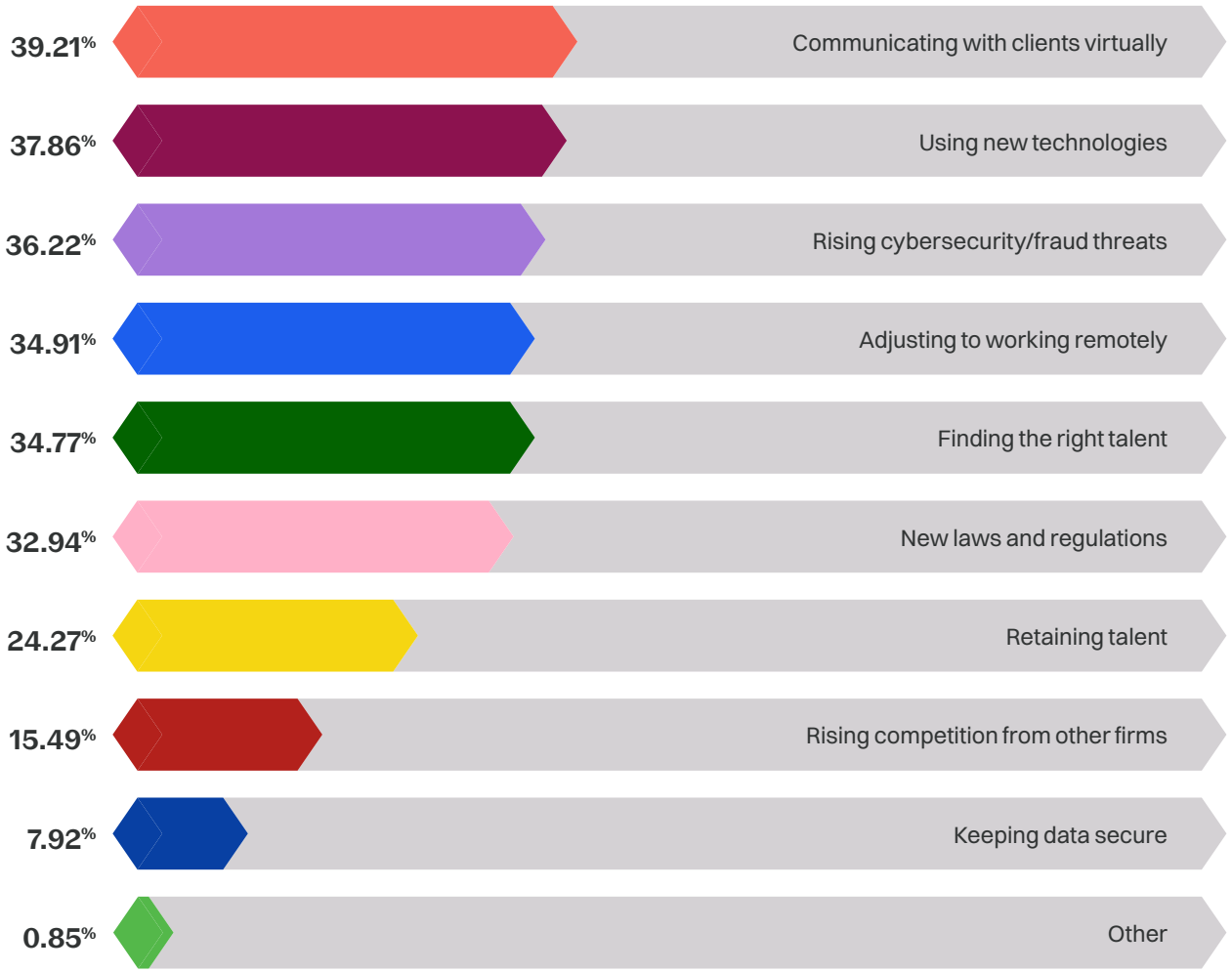
Peer Perspectives

"We cannot find good talent to the point we have decided to fire clients instead of continuing to hire staff who we later have to let go because they don't have the skillset they purported to have."

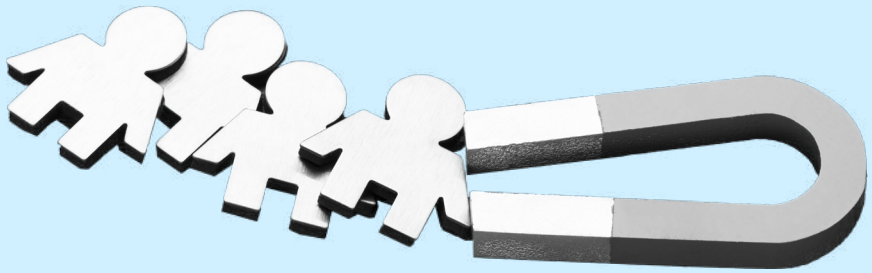
"I am saying 'no' to new clients and have to tell them I don't have the capacity to take them on."

"I'm not sure the productivity is as good for some of our remote workers as when they are in the office."

Q. What have been your biggest practice management challenges in the past year? (Select up to three)



Talent management trends



Talent management troubles

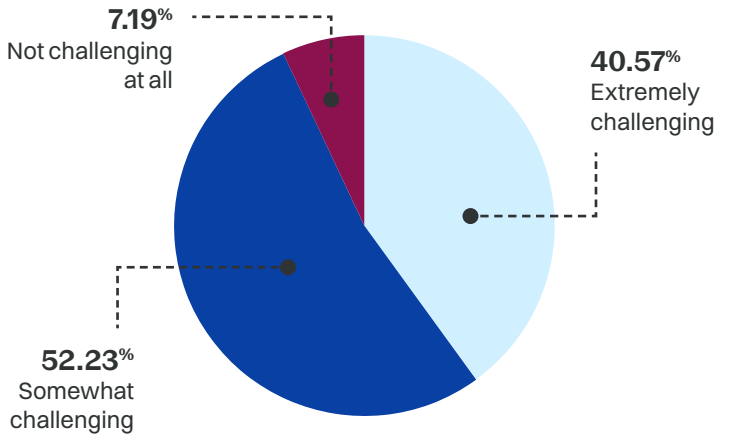
Not surprisingly, given the rising numbers around it as identified in the previous section, talent management continues to be a serious problem for accounting firms. A mere seven percent of respondents said finding and hiring the right talent was not challenging at all. The rest are finding it challenging to some degree. In fact, two in every five of those surveyed described the issue as “extremely challenging.”

Industry Insight

"We have to be creative about the kinds of employees we’re looking to attract and ask ourselves, ‘What skill sets do we truly need to get this job done?’"

—Kelly Mann, Co-Founder and CEO, AuditMiner

Q. How challenging is it to find and hire the right talent for your firm?

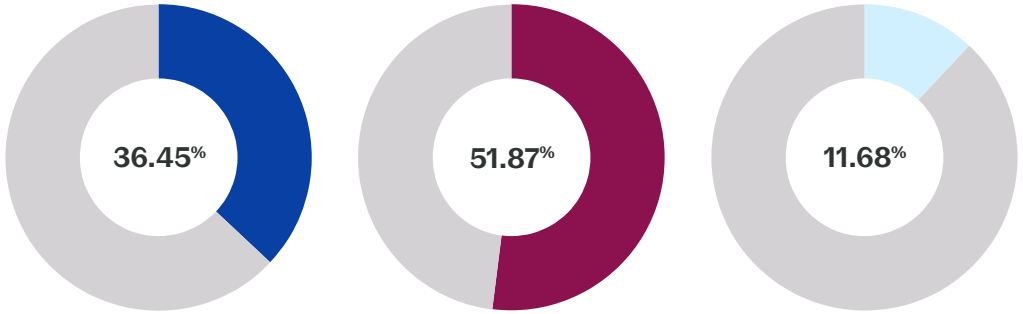


Talent retention

The situation appears to be only slightly better when it comes to retaining talent, with close to 12 percent saying it is not challenging at all and 36 percent choosing to describe it as "extremely challenging."

One respondent commented that an openness to new ways of working has helped them find and retain good talent: "We feel that, because we have been flexible and adapted to remote work, our pool of talent has expanded. This has made hiring less challenging than what we are hearing from others."

Q. How challenging is it to retain the talent you currently have?



Peer Perspectives

"There seems to be a shortage of experienced accountants, especially at the manager level. Competition in the employee market is fierce."

"The difference between skill and compensation expectations is crazy."

"Staff expect higher pay for keeping up with or beating inflation rates, and they also expect better benefits. They are bombarded by headhunters and poached from one firm to another."

Technology trends

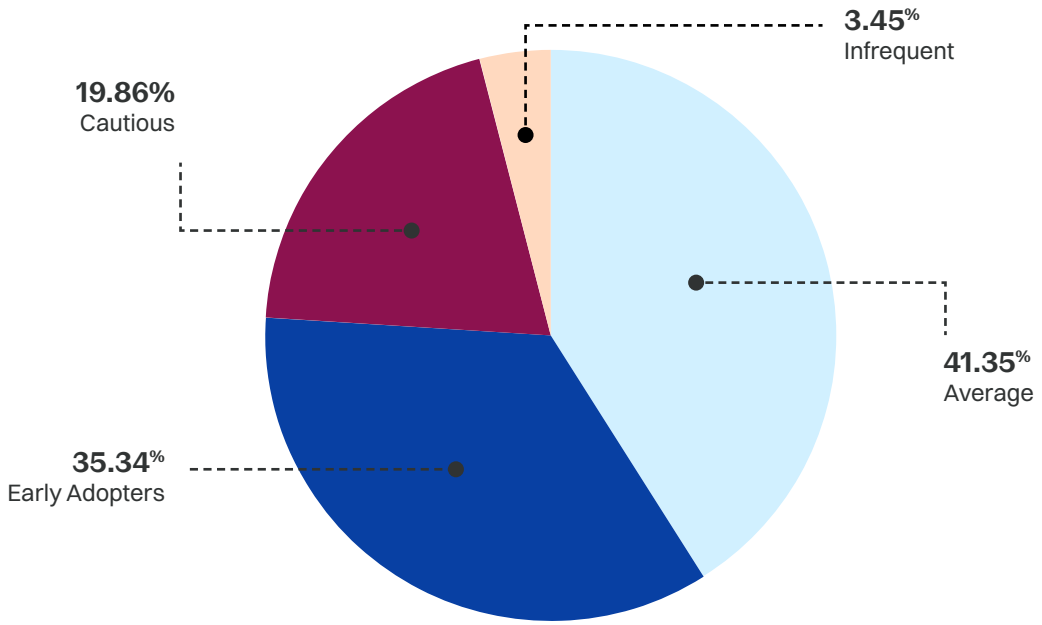


Approaches to technology adoption

Accounting firms don't see themselves as being behind the times when it comes to technology, contrary to mainstream perception. When asked to describe their firm in terms of new tech adoption, more than one third (35 percent) considered themselves to be early adopters — tech-savvy firms that are looking to bring the latest and greatest new tools and solutions into their practices.

A further 41 percent see themselves as neither laggards nor forerunners but rather in between those two groups, with an average rate of evaluation and adoption. Only one respondent in five said they were cautious when it came to bringing in new tech. A small amount (just over three percent) said they usually have no reason to upgrade what they have. In many cases, these are smaller firms with five or fewer employees. Of the 143 respondents who chose this option, 57 percent were from firms of 10 or fewer employees.

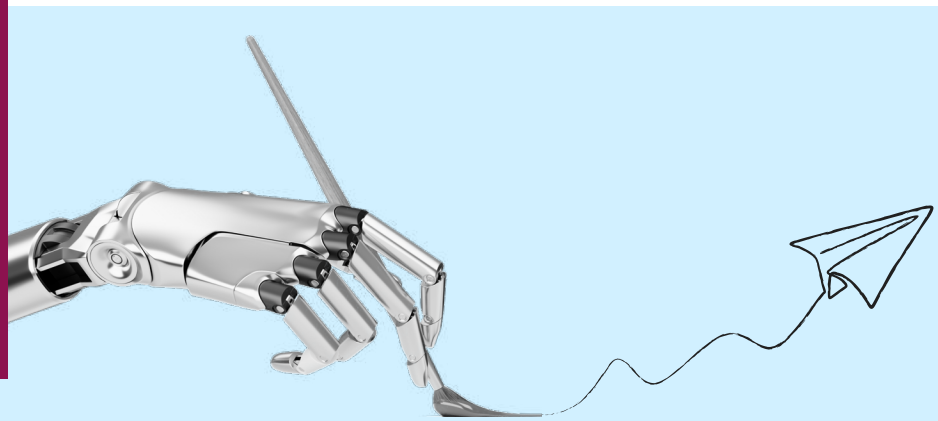
Q. When it comes to new technology adoption, how would you describe your firm?



Industry Insight

"During the purchasing process, firms need to go through pilot programs and evaluate the software. It's not about just seeing three demos, picking between them and saying 'Go.'"

—Kelly Mann, Co-Founder and CEO, AuditMiner



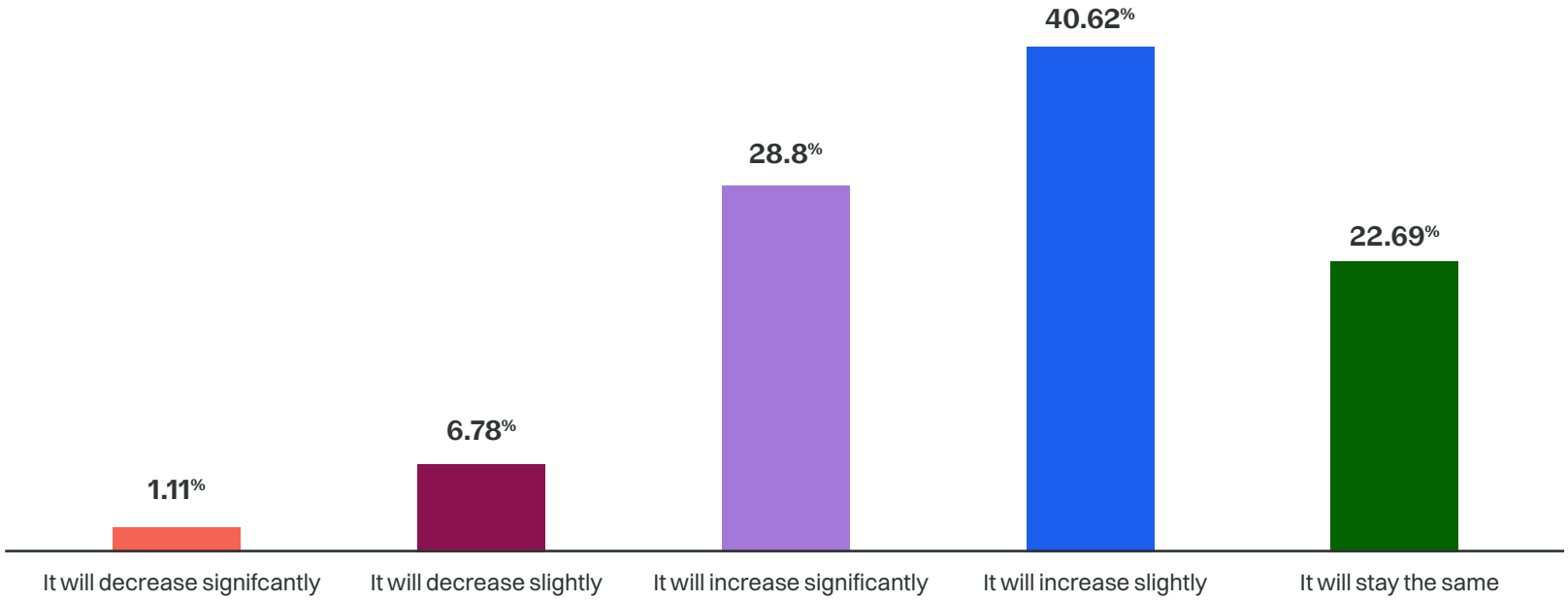
Technology adoption on the rise

The future of accounting will be firmly rooted in technology, and it's not just the makers of such products that are saying so. As evidenced in our survey results, firms themselves are committed to progress through software and other solutions. Asked to rate their expected rate of change in terms of tech adoption over the next two years, a resounding 70 percent indicated that it will increase in some way: close to 30 percent said it would increase significantly, while more than 40 percent said it will increase slightly.

Only eight percent said their investment in technology would decrease, while close to 23 percent said it would stay the same.

These figures are an encouraging sign that accounting firms are moving on from old-school, paper-based approaches to their profession and are getting on the technology train toward greater efficiencies and higher-value tasks.

Q. How do you expect your rate of technology adoption to change over the next two years?



Industry Insight

"In this post-pandemic era, technology will continue to be a driver and a differentiator for firms. There are all these tools that are coming up that are trying to make things like remote employee engagement better. To that extent, I believe technology adoption should increase over time."

—Azunna Anyanwu, Chief Technology Officer, Aronson LLC (now Aprio)

Types of technologies

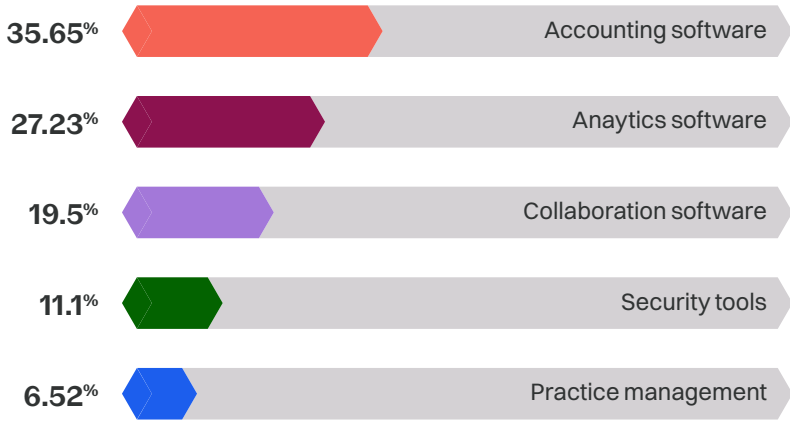
When asked what type of technology they plan on investing in the most over the next two years, it was not surprising to see core accounting software for audit, review and compilation, tax, etc., coming out on top with more than 35 percent.

What was surprising, however, were the numbers around collaboration software and security tools. Only one in five respondents selected collaboration software, a number that seems low in light of more than half (52 percent) saying their client engagement process was only "somewhat efficient," and some (5.6 percent) labeling it "very inefficient." Note, too, that "Communicating with clients virtually" came in, as we have seen, as the biggest practice management challenge in this year's survey.

This is a strong indicator that accountants are feeling the pain of a faulty collaboration process but perhaps aren't aware that software exists to dramatically improve their situation.

The same state of affairs appears to exist in the area of security. Only 11 percent identified security tools as their biggest area of tech investment in 2023, yet "Rising cybersecurity/fraud threats" was the third-most-frequently selected practice management challenge in the survey and witnessed a dramatic 13 percent rise over last year's survey.

Q. What type of technology do you plan to make the biggest investment in over the next year?



Industry Insight

"We have to get better at automating the whole environment of billing and that side of it. Things have gotten so easy in people's personal lives, and the accounting world has been a little stale as it relates to automation."

—Richard McClure, Senior Manager of Operations, Wipfli LLC

Client management trends



Client collaboration

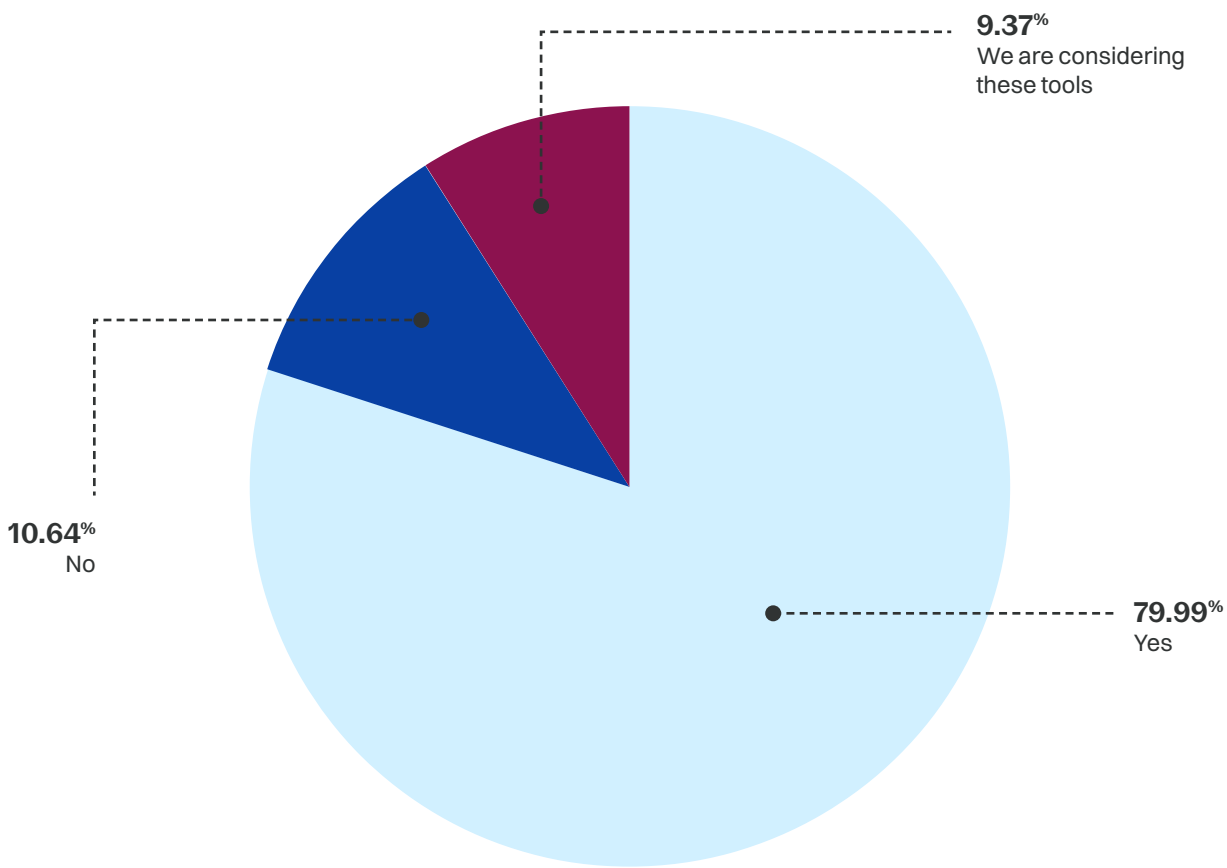
Collaboration with clients has continued to move toward a more virtual model as firms leverage the electronic tools they adopted in response to the pandemic. Four in five survey respondents said they use such a collaboration tool, with nearly half of those who aren't using one indicating that they are considering them. Only one in 10 say they are not leveraging one.

Industry Insight

"There's a hybrid approach now. Accounting firms realize they don't have to send everybody to a client's site. In the past there was probably a technology limitation. Now, strong connectivity is kind of a given and clients understand that."

—Richard McClure, Senior Manager of Operations, Wipfli LLC

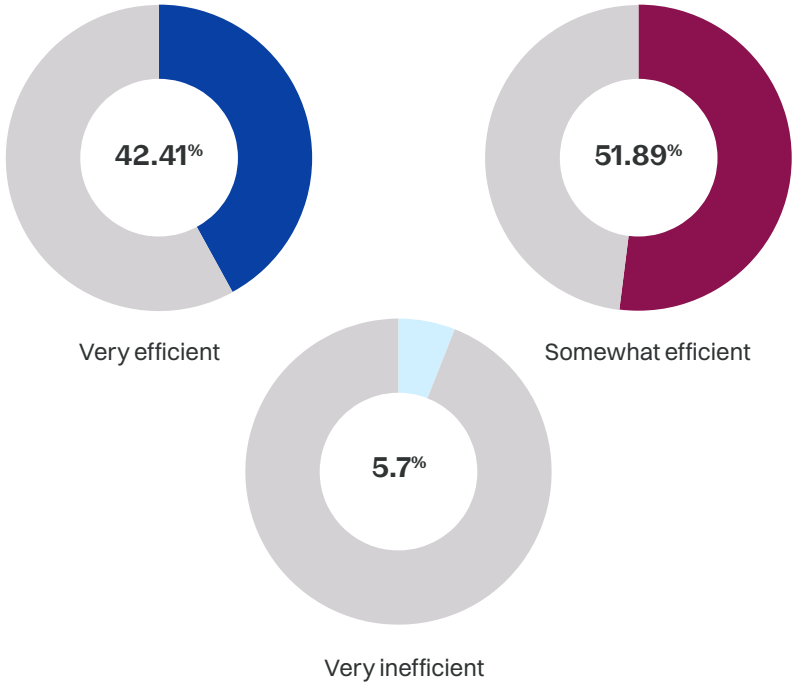
Q. Are you currently using a collaboration tool that facilitates easier communication and secure file-sharing with clients?



Client engagement efficiency

While the rate of adoption of collaboration software is high, the majority of survey respondents feel the process of working with clients could be better. More than half of those polled (51.8 percent) said their client engagement process is only "somewhat efficient." A small group (more than five percent) even labeled it "very inefficient." Clearly, there is room for improvement on this front. These results are hardly surprising, considering that this year's biggest practice management challenge was "Communicating with clients virtually."

Q. How efficient do you feel your current client engagement process is?



Peer Perspectives

"Our current client engagement process has evolved with a few added softwares and apps. However, it is nowhere near as efficient as I would like it to be — which is why I am looking into new technologies to better serve my clients."

"We could definitely improve in this area by increasing automation."

"We are getting better, but it is hard to change old habits for some of the older staff."

Advanced technology trends



Journey to the cloud

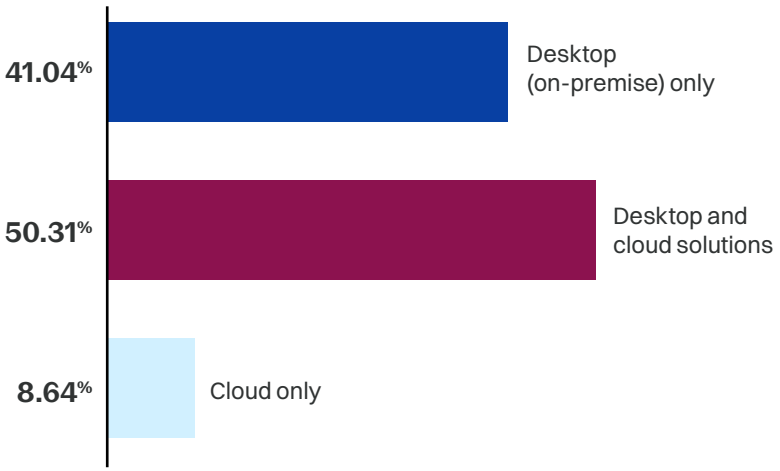
Nearly 60 percent of those surveyed said they are using cloud platforms in their practices to some degree, with slightly more than half of respondents indicating they are using a hybrid approach of both cloud and traditional desktop solutions.

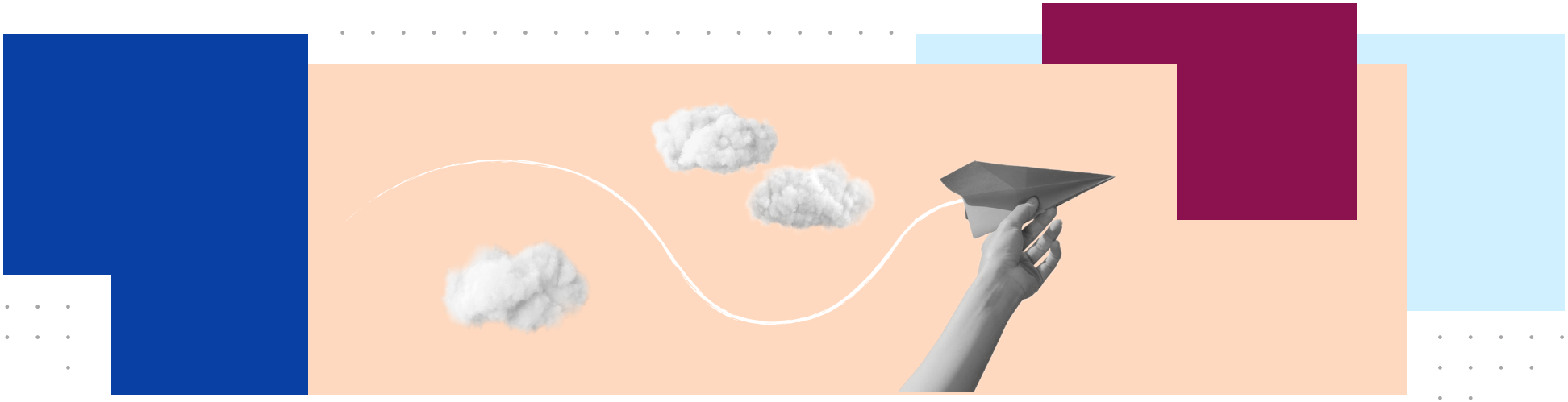
Industry Insight

"There's a change management and a change adoption element that is important. I would encourage firms that are desktop-only to start looking at cloud solutions, but I recognize that it's more than just taking your desktop product, buying the cloud equivalent, and moving to that."

—Azunna Anyanwu, Chief Technology Officer, Aronson LLC (now Aprio)

Q. What technology platforms do you use to help manage your practice?

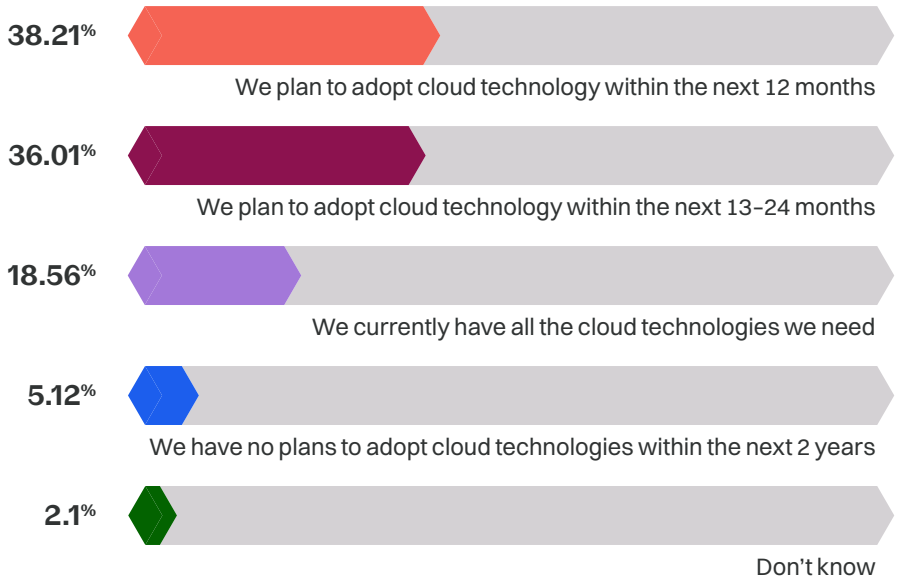




Our survey data indicates that the move to the cloud is only going to increase. We see an interesting shift in firms' plans for adopting cloud in the future: While nearly one-quarter of respondents to last year's survey said they had all the cloud tech they needed, this year, that figure has dropped to just slightly more than 18 percent. It appears that some organizations have, in the course of the past 12 months, seen additional benefits that cloud offers that perhaps they had not realized existed.

The sense of urgency to get to the cloud is also becoming more acute, with the percentage of respondents planning to adopt cloud tools in the next 12 months rising from 33 percent last year to 38 percent this year.

Q. What are your plans for adopting some form of cloud technology over the next two years?





Analytics software

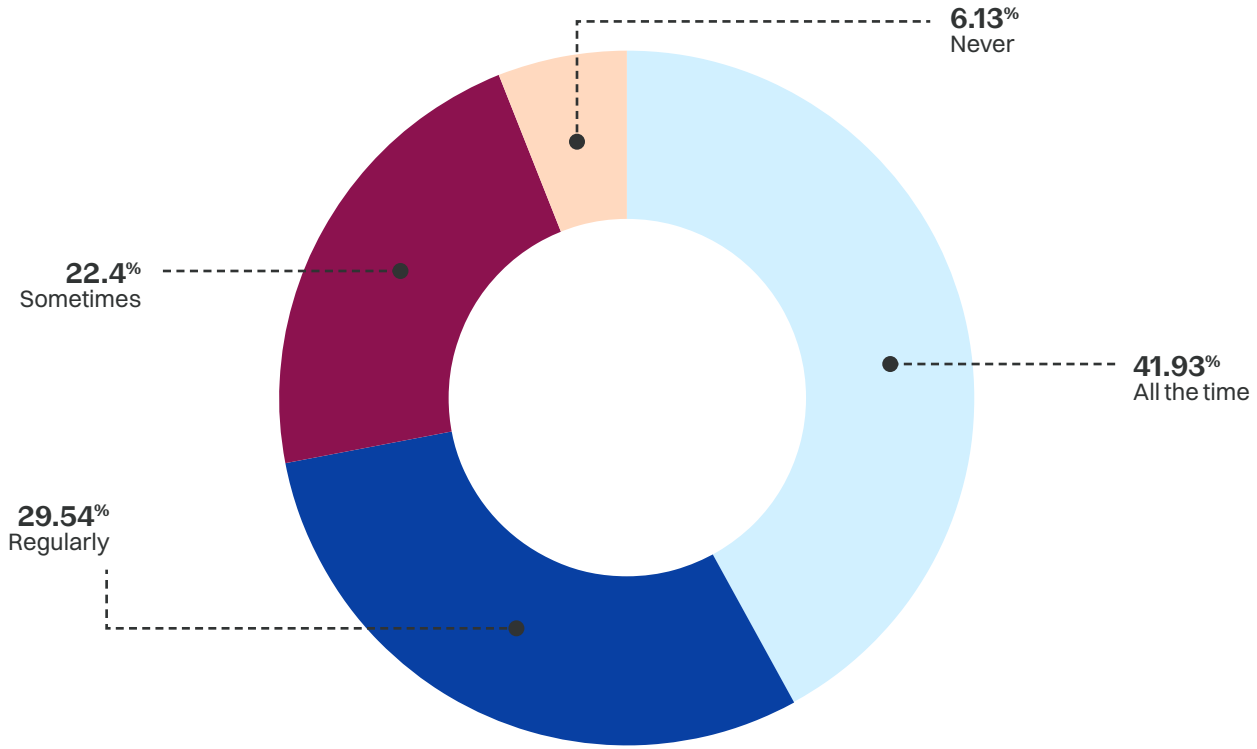
Analytics software is now a firmly established tool in the day-to-day operations of most accounting firms. This is indicated by survey results that show a full 70 percent are using it regularly, with 42 percent saying it is integral to their operations. Only six percent indicated they don't use any analytics tools. These were mostly smaller firms, with the majority of respondents choosing this option coming from firms with five or fewer total employees.

The overall strong adoption rates are an indication that firms are looking to offer clients the kind of rich insights that these platforms provide and that they are responding to the increased demand for services that go beyond simple tax preparation and assurance services.

Peer Perspective

"Because many customers need data in the services we provide, we will sort out and analyze the relevant data according to their needs."

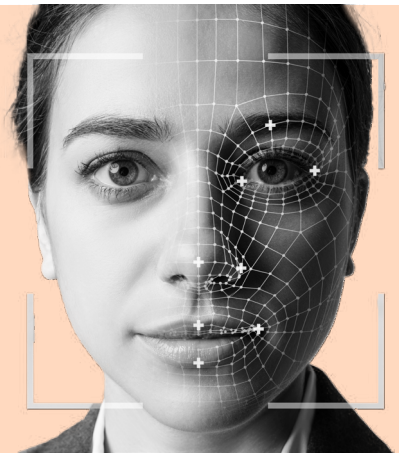
Q. To what extent does your firm use analytics software?



Industry Insight

"We have to get people quicker, faster, easier access to data. It's about building flexible data models for people to let them come up with their own views and their own stories."

—Richard McClure, Senior Manager of Operations, Wipfli LLC

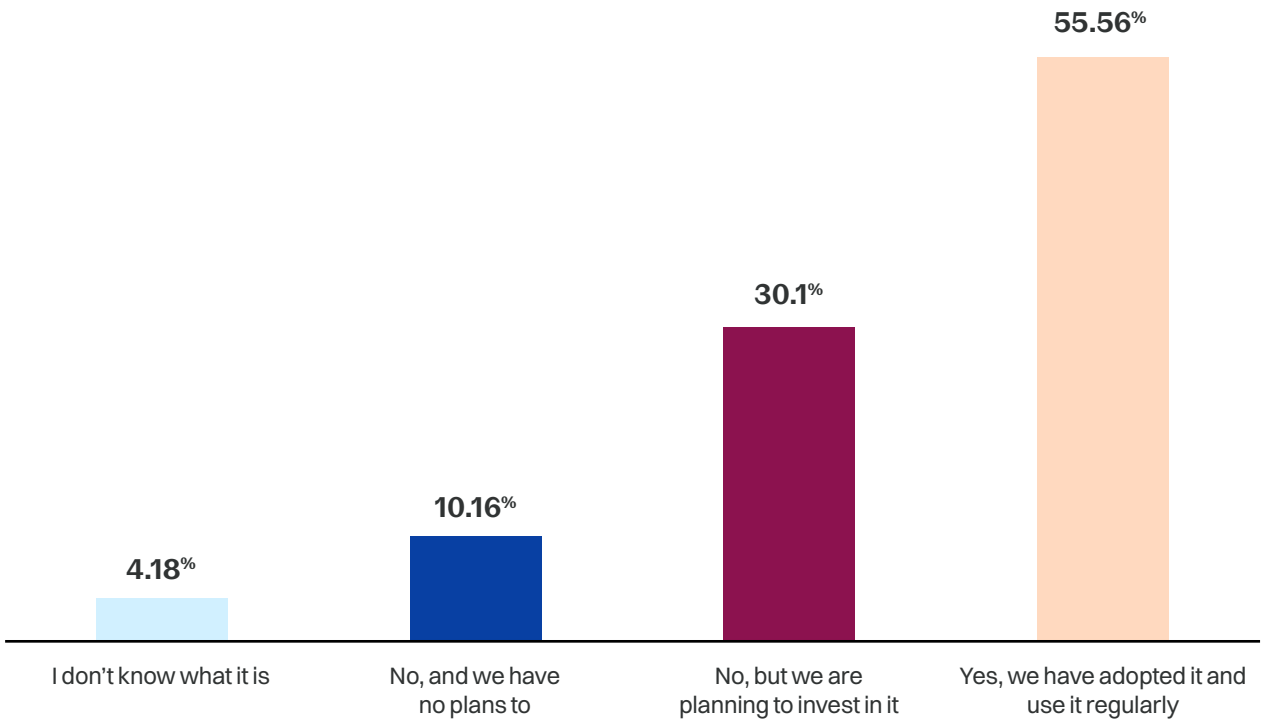


Adding business intelligence

With clients increasingly asking their accountants for more advice and guidance on their finances and risk factors, firms are looking for ways to look deeper into their clients' portfolios to spot trends and identify new opportunities. More than half of survey respondents (55.5 percent) have adopted business intelligence software to help them do this. Another 30 percent say they are planning to invest in it, while only 14 percent either had no intention of using BI or were not familiar with it.

We can expect that number to go down as more firms realize how useful BI is, as advisory services take on increasing importance, and as BI becomes more of a standard tool across the accounting profession.

Q. Does your firm use business intelligence software?



Industry Insight

"Accountants hold a wealth of information as a result of providing services to clients. Aggregating this data even for a single client over several years can provide valuable insights into the client's business. Comparing this data with that of similar entities provides even further insights into the client's activities and how they measure up with their peers."

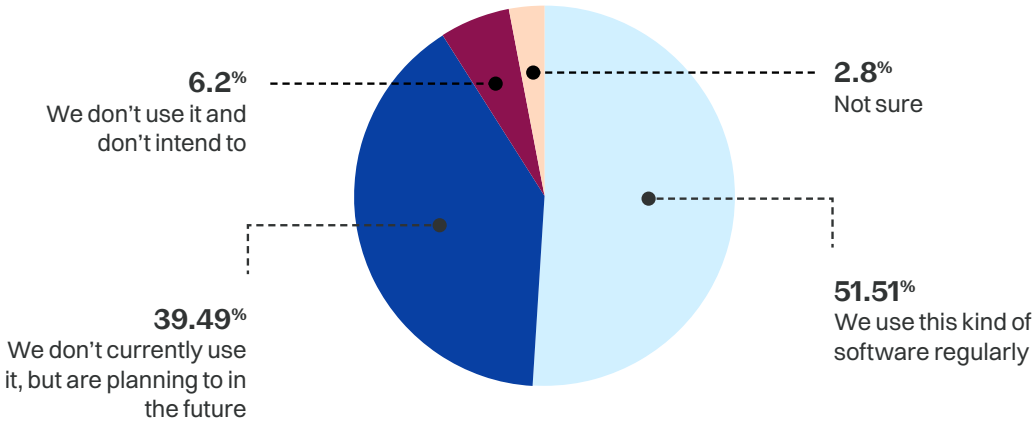
— Sarah Coulson, Head of Canada Solutions, Caseware

Automation technologies

Automation software is key to removing much of the mundane work that has traditionally been associated with core accounting work, such as rolling forward client data from year to year or populating trial balances. It is somewhat surprising, therefore, to see that only about half (51.5 percent) of respondents are using automation software regularly, and also that this figure has barely budged from last year's survey (50.8 percent).

The stagnancy could possibly be explained by recent trends upward in inflation being a deterrent to new investments, or perhaps firms being focused on other issues, such as hiring and retaining talent. It's likely, however, that the figure will rise in the year ahead if inflation does ease and as more accounting leaders realize that automation tools can eliminate the tedious tasks that are a turn-off to the younger talent they are seeking to hire.

Q. To what extent do you use software that automates processes such as rolling forward client data from year to year, generating draft financial statements, or populating trial balances?



Industry Insight

"Leveraging automated processes can enable accounting firms to 'do more with less' by freeing up time traditionally devoted to mundane tasks and allowing staff to focus on other client service areas."

— Sarah Coulson, Head of Canada Solutions, Caseware



Key takeaways

Talent crunch putting the squeeze on accounting firms: Many accounting firms are suddenly struggling to attract and retain qualified accountants with the right skills. This past year may be remembered most for the fight for talent within the industry, reflected in our survey results that revealed a 21-percent increase in concern amongst respondents. Unfortunately, there does not appear to be an easy or quick solution to the situation, so firms can expect to buckle down for another challenging year on the talent front.

Accountants continue crossing to the cloud: More firms are recognizing the benefits of moving their operations to the cloud, whether in a pure cloud environment or in conjunction with their traditional desktop tools. They are also looking to do this quickly, suggesting an urgency that is more acute than ever before. With benefits like easier file management, reduction of IT overhead and maintenance and stronger security, this trend does not come as a surprise.

Virtual client communication poses persistent challenge: Communicating and collaborating with clients in virtual environments continues to challenge firms three years since the pandemic started. Adoption rates of these tools are high, perhaps by necessity, but that doesn't mean practices have mastered how to use them. The issue was the most frequently cited practice management challenge in this year's survey.

Firms wisening up to business intelligence: Clients are looking to their accountants to be more than number-crunchers; they are increasingly asking for strategic advice. Business intelligence software lets accountants go beyond the numbers to gain deeper-level insights to meet these demands. Adoption rates are expected to climb in 2023 as more practices realize what BI can do for them.

Power your transformation with game-changing technology

Caseware's advanced, intuitive and intelligent solutions are the key to unlocking more meaningful and successful collaborations with your clients, realizing new levels of efficiency and removing repetitive, low-value processes from your workflows.

See how Caseware can help prepare your practice for anything the future has in store.

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