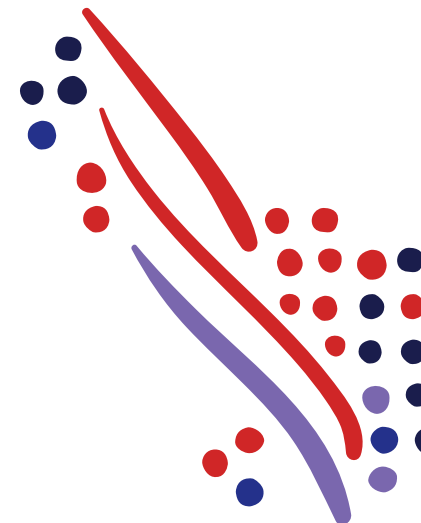




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Market trends, generational perceptions
and nontraditional growth opportunities
in the accounting industry.



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Executive Summary

Strategic trends, a shift in client preferences, and generational perceptions are rapidly transforming many industries. High-tech assembly lines are fast becoming the norm for manufacturers. Robots are preparing pizza,¹ and the emergence of 5G wireless communications has introduced us to the age of driverless cars and drone-powered deliveries.²

The accounting industry is not immune from such changes. Disruptive trends from automation, greater acceptance of artificial intelligence and differences in generational thinking within firms are influencing how accountants define opportunity, plan for profitability and prepare for the future. At stake is how accountants will shape the future of their industry, while remaining the primary advisor of small-and-mid-sized businesses.³

“ Clients are looking to their accountant for more than tax returns, audits or financial statements. ”



Matt Soderman, CPA, Baker Tilly

Key takeaways from ADP® survey data reveal an industry that is clearly transforming. Business clients want more services, including nontraditional offerings like HR/talent management. As many more Baby Boomer accountants reach retirement age by 2020⁴, Millennial and Generation “X” firm members are moving into decision-making positions – bringing with them fresh ideas about what services to offer business clients.

Barriers, such as widening internal skill sets, continue to impede expansion into consulting and advisory services. It is also well known that firms seeking growth through nontraditional services are discovering ways to make it happen, many times using the expertise and resources of third-party partners.

According to survey data, the key ingredients for continued industry success are in place:

- Business clients are eager for new services.
- Decision makers at accounting firms are ready to transform emerging ideas into fresh revenue streams.
- Third-party providers are poised to partner with accountants and help them deliver.

ADP Survey

The data in this report is based on a March 2019 survey by ADP of over 1,000 decision makers; Baby Boomer, Millennial and Gen “X” staff members; and the business clients of accounting firms on the key ingredients for continued success.



The Generational Groups

Millennials – up to 39 years of age

Gen Xers – 40 to 54 years of age

Baby Boomers – 55 to 73 years of age



Introduction

The accounting industry is seeing the makings of a perfect storm. It's being fueled by epic market trends, changes in business client preferences and the emergence of a new generation of decision makers within the industry's firms.



Trends – New technology has enabled tax preparation to be commoditized. Value-pricing is sharing the stage with traditional, fixed-fee hourly billing. The acceptance of cryptocurrency is adding unprecedented complexity to relationships.



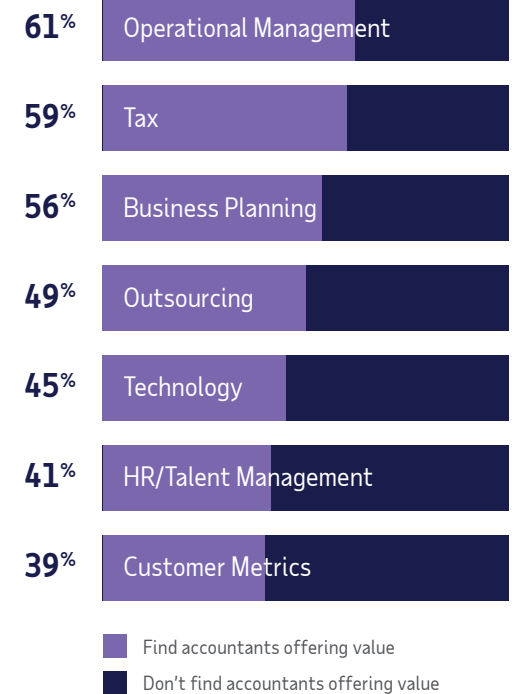
Clients – The preferences and needs of business clients are changing. As advances in technology open the door to more possibilities, these clients want more from their accounting relationship. This includes more consulting and advisory services – from payroll preparation and compliance management to HR and talent management insights, for starters.



Firms – As more Baby Boomer accountants enter retirement over the next few years, business client needs change and technology advances, younger staff members are well positioned to capitalize on these emerging trends. More agile firms, choosing to flex with the times and focus on delivering new services, will ultimately reap the benefits of engaging new opportunities.

Overall, traditional bread-and-butter offerings, such as tax services with its high ROI, remain popular throughout the accounting industry. Moreover, accountants across generations are accurately reading the market when it comes to operational management, business planning and outsourcing. These are among the top services most likely to be offered by many accountants today. But business clients are also seeing value from other services that may require infrastructure, staffing and other resources that many accounting firms may not have.

Where do business clients see accountants offering the most value?



Source: Survey Data From ADP, 2019

What Business Clients Want

Most business clients believe that their accountants are well-suited to provide consulting and advisory services, yet they are not fully utilizing those services. Data from a recent client and industry survey conducted in the spring of 2019 provides insights into some of the things clients want from their accountants:



System Integration

The average business client has four software systems to manage various business functions. Importantly, 96 percent say they want some integration of these systems. Among the most appealing for integration are payroll, finance, time and labor and HR.



Consulting/Advisory Services

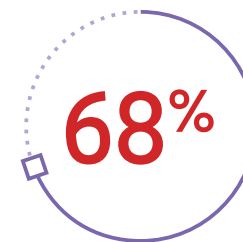
Over 90 percent of business clients are interested in at least one advisory or consulting service. Moreover, 62 percent of these clients would like to receive HR/talent management insights from their accounting firm.



Vertical/Industry Expertise

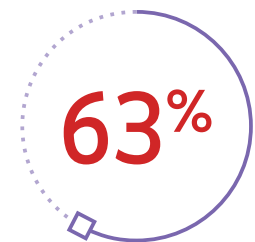
One-third of business clients view vertical/industry expertise as the most critical factor in selecting an accounting firm for consulting/advisory services.

How do business clients feel about accounting firms?



well-suited for a consulting/advisory role

&



valuable partner for HR/talent insights

Yet ...

57% of clients are not fully utilizing their accountant's services/insights

Source: Survey Data From ADP, 2019

What Accountants Are Saying

How are accountants responding to the changing needs and preferences of business clients? There are substantial differences in services offerings by generation due to differing views regarding trends today and what the future may look like.

Outsourcing



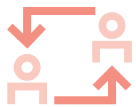
Of the three generational groups of accountants, Baby Boomers are the least likely to utilize outsourcing. Conversely, 81 percent of both Millennials and Gen Xers express an interest in offering or planning to offer outsourcing.

Technology



A majority of Millennial and Gen "X" accountants indicate a greater willingness to leverage and benefit from technology. However, less than half of 'Boomers say automation is impacting their work and potential revenue streams.

Consulting/Advisory Services



While Millennials and Gen "Xers" are making consulting and advisory services a major focus, 'Boomer accountants often do not even consider offering these services. For example, 72 percent of Millennials and 63 percent of Gen "X" staffers plan to or currently offer HR and talent management services. Only a third of 'Boomers are doing the same.

Saving time enables the expansion of advisory services



Saving time with technology allows accountants like Michael Barbera, partner at Edelstein & Company, the ability to do more, such as expanding advisory services. His toughest task was finding time to do more for his business clients.

"Whether it's extension time, estimate time or during tax season, you have to do three hours of work in one hour," said Barbera. "The most valuable asset we have is time. It's always time."

Accessing client information on a single platform via an easy-to-use dashboard on Accountant ConnectSM now gives Barbera's firm the capability to rapidly gain better insight into client data and deliver added value through advisory services.⁵

What Accountants Are Saying (Continued ...)

Millennials and Gen Xers differ from Baby Boomers about what services to offer their business clients*

What services are accountants likely to offer to business clients?

Service	Millennials	Gen X	Boomers
Benefits	85%	73%	36%
Business Planning	82%	84%	71%
Outsourcing	81%	81%	56%
Technology	76%	70%	44%
HR/Talent Mgmt	72%	63%	34%

*NOTE: Data includes accounting firms surveyed who either offer or plan to offer these services. Source: Survey Data From ADP, 2019



“ Clients are really looking for that higher level of planning – they want someone who’s speaking with them more often and can offer payroll, HR and other back office technologies that are going to augment the client’s accounting and make their life easier. ”



Jennifer Brazer,
Founder & CEO, Complete Controller

When a Third-Party Partner Can Help

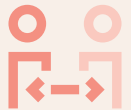
Third-party providers for HR, payroll and other human capital management (HCM) services can help widen the aperture of opportunity, revenue and profits for accountants. These services are additional ways for accountants to help bring their business clients closer to the firm and its full array of services.



Generally speaking, many accountants are already successfully engaging third-party partners for payroll as a value-add for clients. HR offerings would extend into the HCM suite providing business clients with some of the valuable additional capabilities they desire.

Single platforms and user-friendly dashboards give accountants the ability to serve business clients faster than ever before by tapping into the nexus between HR-related and financial data. Third-party benchmarking solutions that identify compensation differences, predict ways to avoid turnover and help ensure the successful onboarding of new talent can empower accountants to help clients avoid significant unintentional expenses in a systemic way.

Generally speaking, many accountants are already successfully engaging third-party partners for payroll...



Third-party partners help accountants leverage what they do best – save time as they expand their role as each client’s most-trusted strategic advisor. “Clients are looking to their accountant for more than tax returns, audits or financial statements,” said CPA Matt Soderman. “They want to work in the cloud and are increasingly requesting more real-time data, looking to us to solve real-world business problems for them.”⁶



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Conclusion – Key Takeaways

The accounting industry is subject to disruptive trends, new technology, and other challenges, just like any other industry.

Accountants are the most-trusted advisors of most businesses. But the companies they serve want more from their accounting relationship – particularly consulting and advisory services, which include, among other things, payroll, HR and talent management.

Differences in the types of services offered by accounting firms are due, in large part, to significant generational differences. Millennials and Gen “Xers” more readily embrace technology, while Baby Boomers are less inclined to do so.

Third-party service providers are a cost-efficient way for accounting firms to overcome barriers to providing nontraditional services beyond payroll, such as HR, talent management and other HCM solutions.

For more information on ADP's programs for accounting professionals, visit adp.com/accountant

SOURCES:

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- (2) "Here's everything you need to know about Amazon's drone delivery project, Prime Air," Ed Oswald, Digital Trends, March 5, 2017.
- (3) "Accountants: The Primary Advisor For Business Owners," Russ Alan Prince, Forbes.com, February 10, 2015.
- (4) "Creating a 'Retired CPA' Status in the UAA," AICPA, www.aicpa.org.
- (5) "Save time and help expand advisory services," ADP – What Others Say, www.adp.com/who-we-serve/by-partner/accountants.
- (6) "Building a Successful CAS Offering," ADP, May 2019. <https://www.adp.com/resources/what-others-say/testimonials/w/wade-huseth-baker-tilly.aspx?referrer={2412AEE5-A4B2-4432-86A2-229B6805CC52}>

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