



Change on the Horizon

2017 PCPS CPA Firm
Top Issues survey



The Private Companies Practice Section (PCPS) partners with over 6,700 CPA firms of all sizes nationwide and provides targeted and customizable practice management tools in the areas of strategic planning, business development, human resources, benchmarking, technical developments and succession planning.

This section is overseen by the PCPS Executive Committee, made up of CPA volunteer practitioners, which steers programs to help improve the quality of services and operating success of PCPS member firms.

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Change on the Horizon: The 2017 PCPS CPA Firm Top Issues Survey

What will a CPA firm look like in five years or so? That's one question that comes to mind in reviewing the 2017 PCPS CPA Firm Top Issues Survey. Although many of the chief concerns CPAs identified may seem familiar, a number of the issues in this year's survey indicate that change is on the horizon.

Every two years, the CPA Firm Top Issues Survey asks CPAs to rank the greatest challenges facing their firms. The results offer a valuable perspective on the state of practice today and identify the developments and issues that may have an impact on practitioners in the near term. Practitioners can use the survey to confirm that they share common concerns, to learn about trends they may have missed and to identify emerging challenges that they should be prepared to address.

The survey responses are broken down by firm size, with separate lists released for solo owners and for firms with 2 to 5, 6 to 10, 11 to 20 or 21 or more professionals. The AICPA and its Private Companies Practice Section (PCPS) team use the biennial surveys to pinpoint areas where new tools and resources may be needed to help practitioners address current challenges.

While this year's survey reveals several new issues emerging, there are areas where there is a great deal of stability for the profession, with many of the greatest concerns in each segment little changed from survey results for 2015 or even 2013. Based on some of the new issues on this year's list, and others that have risen in ranked importance, it appears that many CPAs are experiencing or anticipating change. This commentary reviews and analyzes the 2017 results, including an addition to this year's survey that asked participants to indicate the perceived impact of certain issues over the next five years.



What's important to ...

sole practitioners



1. Keeping up with changes and complexity of tax laws
2. Seasonality/workload compression
3. Finding qualified staff
4. Bringing in new clients
5. Succession planning

Tax complexity and compression remained top of mind for solo practitioners, just as they have been in recent surveys. One interesting new issue rose into this group's top five this year: staffing. For all larger firms, staffing has long been a top-five issue, but for the first time in recent years, finding qualified staff appeared in the top five for this group, taking the No. 3 spot up from No. 6 in the previous survey. (In the top five, it replaced the effect on firms caused by new federal state and local regulations, an issue that failed even to make this segment's top ten in 2017.) It seems that solo owners are not immune from the talent shortage that has long affected larger firms.

What's important to ...

firms with 2 to 5 professionals



1. Finding qualified staff
2. Seasonality/workload compression
3. Succession planning
4. Retaining qualified staff
5. Keeping up with changes and complexity of tax laws

Issues related to human capital — recruitment, retention and succession — were front and center on the top-five list for this group. The effective utilization and management of staff (capacity, pushing work down) — which was one of this segment's top 10 — also spoke to concerns about leveraging talent appropriately. Complexity on several fronts was another challenge, as well as a related issue, seasonality/workload compression.

Interestingly, though, although fee pressure/pricing was an issue for solo owners and firms with two to five professionals in 2015, it was not on either group's top 10 this year. It could be that while firms are facing competition from non-CPAs in their markets, it has not yet had an effect on fees. Value pricing and fixed pricing agreements are being adopted by more and more firms, allowing for clear expectations on the front end with clients about the cost of professional services. These types of pricing arrangements are often coupled with more advisory services, which seems to eliminate the fee pressure concern.

What's important to ...

firms with 6 to 10 professionals



1. Finding qualified staff
2. Succession planning
3. Retaining qualified staff
4. Seasonality/workload compression
5. Keeping up with changes and complexity of tax laws

Issues related to staffing and complexity also dominated this segment's top five issues, but once again the issues ranked 6 through 10 gave a broader indication of other challenges facing these firms. In addition to tax laws, standards were also top of mind for this group. This year's No. 8 issue, acceptance of separate accounting principles for private companies, moved up from No. 61 in 2015. As the Private Company Council continues to recommend alternative accounting treatments for private company financial statement reporting, and as the use of the AICPA Financial Reporting Framework for Small- and Medium-Sized Entities (FRF for SMEs) grows, firms may be spending more time introducing new rules to clients and lenders, and adapting them internally. A similar issue, keeping up with accounting and attest standards, was a concern for firms with five and fewer professionals, as well.

Concerns about future leadership began to emerge with firms in this group. Lack of staff interest in being partner, this year's No. 9, soared to that spot from No. 21 in 2015. That makes sense, as the business models that most CPA firms have adopted over decades has become less attractive to new owners who operate differently than their predecessors. The pressure on firms to find and develop new leadership is compounded as the large baby boomer generation heads into retirement, reinforced by the fact that aging of owners/ partners was another top 10 issue for this segment. This was the only segment that picked fee pressure as a top 10 issue in 2017, although it did not identify bringing in or retaining clients as concerns.

What's important to ...

firms with 11 to 20 professionals



1. Finding qualified staff
2. Retaining qualified staff
3. Bringing in new clients
4. Succession planning
5. Owner/partner accountability and unity

This segment truly illustrates the importance of a firm's professionals. Other than bringing in new clients, at No. 3, every one of this segment's top ten related to people. Within its top five issues, the group was concerned about finding and keeping talent, bringing cohesion to the partner group and succession.

Among this group's issues 6 to 10, quality of life for firm members claimed two spots: minimizing workload compression and allowing for work/life balance. Another three concerns looked to the future of the firm, including two issues associated with developing new owners and one focused on engaging staff. Changes in ranking also seem to show that some challenges are becoming critical. In this segment, lack of interest in being partner jumped to No. 9 from No. 26 in 2015, while lack of staff engagement went from No. 20 to No. 10.

What's important to ...

firms with 21+ professionals



1. Finding qualified staff
2. Retaining qualified staff
3. Bringing in new clients
4. Managing work/life balance initiatives
5. Moving from a transactional service provider to a trusted adviser relationship with clients

The largest firms seem to be reconsidering business approaches. Typical staffing-related concerns were evident, but an issue added to the survey in 2017 barreled its way to the No. 5 spot for this group: Moving from a transactional service provider to a trusted adviser relationship with clients. This has been a trend discussed across the profession for years, and the largest firms seem to be giving it their full attention. At the same time, another change to business as usual — modifying the firm's business model to maintain relevancy into the future — tied for the No. 10 spot after coming in at No. 32 for this segment in 2015. The appearance of these two issues could be an indicator of continuing business model changes for all firms.

This segment's interest in attracting and keeping talent encompassed concerns about managing work/life balance initiatives, an issue that has not been seen on this group's list in recent years. It's possible that firms are grappling with changing expectations from younger staff or considering how to incorporate their needs into a revised business model. Succession and owner/partner unity, both on this segment's list in 2015, remained issues for these firms, underscoring the value of a formal partnership structure and succession plan.

Survey takeaways

Some key insights that can be drawn from the 2017 survey include:

Staffing is top of mind.

Good staff remains hard to come by and keep, based on the survey results. In addition to simple attraction and retention, many other issues relating to staff concerns also made the top issues lists including: seasonality, succession, work/life balance, employee engagement and leveraging staff effectively. In fact, when participants were asked to indicate perceived impact of key issues over the next five years, an overwhelming number of firms with two or more professionals selected staffing.

CPA firm services are in demand.

Although bringing in new clients was an issue for most firms, CPAs' concerns about attracting and retaining talent and about workload compression and work/life balance indicate that there is sufficient work keeping staff members busy. In addition, retention of clients has not been selected as a top issue for any firms since 2013. In another potential sign of strong demand, fee pressure/pricing, which was a top 10 issue for most firms in 2015, was not on most segments' lists this year.

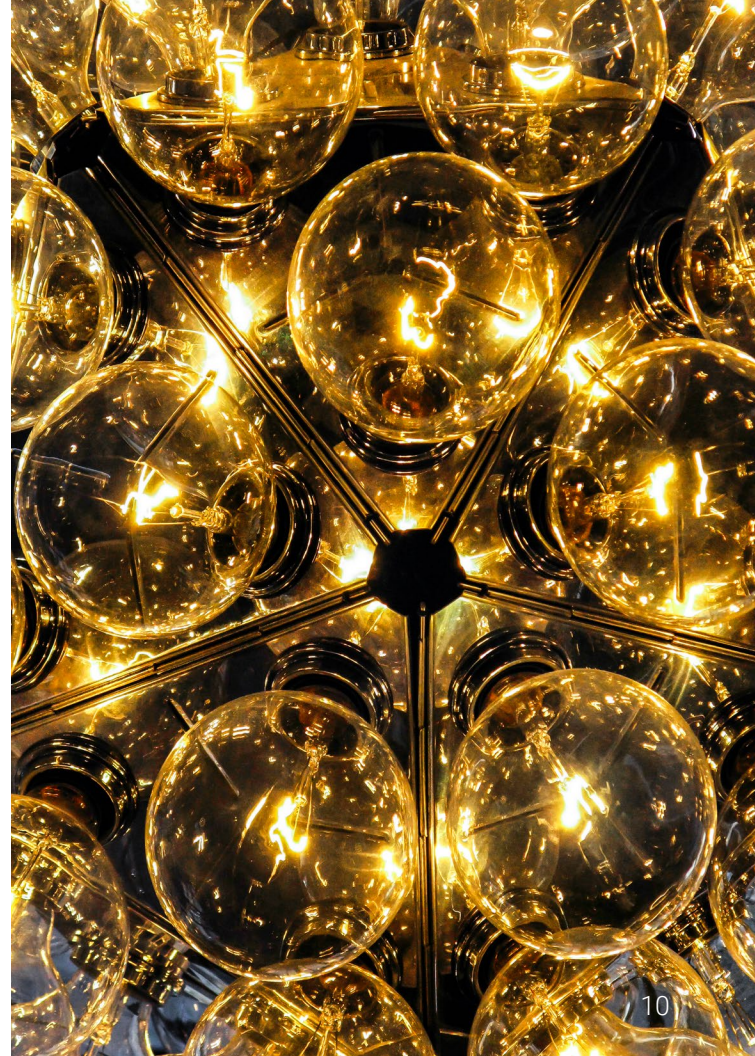
Firms are examining new business approaches.

One way to address recurring problems is to rethink the way you do business. Many firms may determine that current solutions continue to suit their needs, but considering what new approaches might mean for the firm could lead to valuable insights and ideas. Including staff in this discussion may also help to engage and excite them, and encourage greater commitment to the firm and its future.

The survey results raise a number of questions that could become excellent discussion points for the next firm retreat. For example: Is the pyramid-shaped partnership model still the best model for the firm? Would a client portal or other technologies change the way we deal with clients and help us set ourselves apart in our market? How would a new billing model (value billing or retainers, for example) encourage clients to see us as trusted client advisers and deepen our relationships? What impact would these and other innovative approaches have on our ability to attract and retain top talent? Could we alleviate our talent challenges by recruiting and promoting from a wider and more diverse pool of professionals?

Forging a path to future ownership is a continuing challenge.

Succession planning was an issue for all firm sizes and a top five issue for most, and aging of owners/partners and owner/partner accountability and unity were cited as concerns for some. Succession was a challenge for all firms in 2015, as well, but this year firms in the 6-to-20-professional range are also reporting doubts about staff members' interest in becoming partner, further complicating the effort. To address the problem, firm leaders might consider whether staff members understand what it means to be partner, including the financial and other benefits involved, and whether they understand that work/life balance is achievable at the partner level. Creating a career lattice, rather than a more linear career ladder, allows staff members to explore elements of the practice and hone the skills that resonate with them. By having a more holistic view of the practice and its various departments, it allows prospective partners to fully grasp what it takes to be a partner within the firm. Even if the firm decides that a merger or acquisition is preferable to internal succession, an engaged and enthusiastic staff will be an asset in any deal.



The five-year outlook

In addition to assessing current conditions, the 2017 survey asked CPAs to indicate to what extent a series of given issues is expected to affect the way their practice operates over the next five years. Percentages in the chart represent how often members of each group identified the given issue as a 4 or 5, with 5 indicating extreme impact.

Issue	Solo	2–5 professionals	6–10 professionals	11–20 professionals	21+ professionals
Staffing	36%	70%	80%	88%	88%
Technology	59%	65%	63%	63%	80%
Regulatory	51%	46%	61%	55%	50%
Changing client needs	46%	51%	46%	59%	53%
Competition	29%	33%	26%	30%	42%
Mergers, consolidation	18%	24%	43%	37%	49%

As the chart shows, staffing is expected to remain a significant concern for most firms, with technology, regulatory issues and changing client needs also making strong showings.

Firms are anxious to keep up with technology.

The majority of participants from every firm size identified technology as an issue that would have significant impact in the next five years. In addition, based on their top 10 lists for 2017, firms with five or fewer professionals are not confident that they have addressed privacy and cybersecurity concerns.



Solutions for top challenges

PCPS provides a variety of resources that can help tackle the issues identified in the 2017 survey:

Issue	To do:	AICPA/PCPS member resource
Finding and retaining qualified staff/staff engagement	<input type="checkbox"/> Use the Staff Development & Culture resources to develop a high performing team through a firm culture that embraces transparency, flexibility, mentoring, coaching and career planning across generations.	Firm inMotion e-Toolkit <ul style="list-style-type: none"> • Mentoring Guide • Coaching Guide • Staff Assessment and Career Development Plan
	<input type="checkbox"/> Develop competency expectations for all levels and programs aimed at attracting and retaining top staff.	PCPS Human Capital Center <ul style="list-style-type: none"> • Firm Competency Model • Flexibility Toolkit • Internship Program Quick Start Guide • Recruiting and Prospecting Guide • And more!
	<input type="checkbox"/> Improve employee engagement and retention.	PCPS Ten Initiatives for Employee Engagement
	<input type="checkbox"/> Take steps to diversify your talent and leadership.	AICPA Women’s Global Leadership Summit AICPA Diversity and Inclusion Resources

Issue	To do:	AICPA/PCPS member resource
Seasonality/ workload compression	<input type="checkbox"/> Evaluate clients to see which ones aren't the right fit for your firm and are hindering your efficiency. Spend more time and resources on finding and serving your ideal clients.	PCPS resources on evaluating and disengaging clients: <ul style="list-style-type: none"> • Client Evaluation Tool • Client Disengagement Letter
	<input type="checkbox"/> Consider ways to ensure your clients receive quality services by leveraging your network of peers.	Forming alliances
	<input type="checkbox"/> Learn how other firms are mitigating the pressures and adopt best practices.	PCPS/CPAFMA Workload Compression Survey

Issue	To do:	AICPA/PCPS member resource
Bringing in new clients and client retention	<input type="checkbox"/> Identify client priorities, price services appropriately and find new service opportunities	Trusted Client Adviser Toolbox and Workshop
	<input type="checkbox"/> Use the Clients & Relationship Building resources to grow and strengthen your relationships with potential clients. Equip your team with essentials to intensify trusted relationships while forging new ones.	Firm inMotion e-Toolkit <ul style="list-style-type: none"> • Networking Preparation and Tips • Relationship-Building Tracker and Report Out • Communication Style Assessment • And more!
	<input type="checkbox"/> Reinforce your message about the valuable year-round tax services you provide.	AICPA Tax Practitioner’s Toolkit
	<input type="checkbox"/> Discover what makes you valuable and different from other CPAs, then confidently present yourself to clients in a unique way.	YOU Are the Value Workshop

Issue	To do:	AICPA/PCPS member resource
Succession planning/aging of partners/new partner development	<ul style="list-style-type: none"> <input type="checkbox"/> Understand your options (selling, merging or developing and transitioning new leadership). <input type="checkbox"/> Choose and implement a plan that best suits firm needs. <input type="checkbox"/> Teach the basics of firm economics. 	<p>PCPS Succession Planning Resource Center</p> <ul style="list-style-type: none"> • Succession Readiness Assessment • Succession Timing Calculator • Transfer An Accounting Practice Checklist • Due Diligence Checklist • Shareholder In Training Checklist • Sample Practice Continuation Agreement <p>Firm inMotion e-Toolkit</p> <ul style="list-style-type: none"> • Next Generation Firm Leader Self-Assessment • Generational Assessment & Approach Tool • Moving Towards Greater Transparency Powerpoint • CPA Firm Mergers & Acquisitions: How to Buy a Firm, How to Sell a Firm, and How to Make the Best Deal
	<ul style="list-style-type: none"> <input type="checkbox"/> Navigate emerging trends so that you can embrace generational differences. 	<p>Firm inMotion e-Toolkit</p>
	<ul style="list-style-type: none"> <input type="checkbox"/> Prepare emerging partners and top talent for future roles. 	<p>Emerging Partner Training Forum</p> <p>AICPA Women's Global Leadership Summit</p>

Issue	To do:	AICPA/PCPS member resource
<p>Keeping up with changes and complexity of tax laws</p>	<input type="checkbox"/> Stay connected to tax issues, deadlines and other key concerns.	<p>Tax Reform Resource Center</p> <p>Tax Practice Resources web page</p>
	<input type="checkbox"/> Stay up-to-speed on the latest developments in Washington and the profession's response to them.	<p><i>Washington Tax Brief</i> webcast series</p>
<p>Cybersecurity and privacy</p>	<input type="checkbox"/> Find expert advice and information on how the profession is addressing these concerns.	<p>AICPA Security and Privacy Center</p>
	<input type="checkbox"/> Analyze your service opportunities and build a cybersecurity practice.	<p>Privacy Risk Assessment Questionnaire</p> <hr/> <p>PCPS Cybersecurity Toolkit</p> <ul style="list-style-type: none"> • Exploring Cybersecurity Guide • Service Opportunity Grid • And more!

Issue	To do:	AICPA/PCPS member resource
Moving from a transactional service provider to a trusted adviser relationship with clients	<input type="checkbox"/> Become a strategic partner to clients, focusing on issues beyond compliance.	PCPS Trusted Adviser Toolbox PCPS and CPA.com Trusted Client Adviser Workshop
	<input type="checkbox"/> Brainstorm new business approaches and structures that address new and emerging challenges.	CPA Horizons 2025 Women's Initiatives Executive Committee Evolve the Business Model Resources
	<input type="checkbox"/> Assess your firm's current culture, talent and clients and determine steps and tools needed for transition.	Firm inMotion e-Toolkit <ul style="list-style-type: none"> • Transition to Value Pricing • Transition and Continuum Checklist

As the home for firms at the AICPA, PCPS helps drive the performance of your firm by providing member-exclusive tools to help tackle common concerns. With its suite of practice management resources, PCPS can help you and others in your firm address changing trends in the profession, plan for the future and run more smoothly.

Find out more at aicpa.org/pcps/topissues.

Addendum 1

PCPS CPA Firm Top Issues Survey

A look at trends

2-5 professionals		
2017	2015	2013
1 Finding qualified staff	Finding qualified staff	Keeping up with changes and complexity of tax laws
2 Seasonality/workload compression	Keeping up with changes and complexity of tax laws	Succession planning
3 Succession planning	Succession planning	Finding qualified staff
4 Retaining qualified staff	Seasonality/workload compression	Bringing in new clients
5 Keeping up with changes and complexity of tax laws	The effect on firms caused by new federal and state regulations	Seasonality/workload compression

Addendum 1 continued

A look at trends

6–10 professionals		
2017	2015	2013
1 Finding qualified staff	Finding qualified staff	Succession planning
2 Succession planning	Succession planning	Finding qualified staff
3 Retaining qualified staff	Seasonality/workload compression	Bringing in new clients
4 Seasonality/workload compression	Retaining qualified staff	Retaining qualified staff
5 Keeping up with changes and complexity of tax laws	Aging of owners/partners	Owner/partner accountability and unity

Addendum 1 continued

A look at trends

11–20 professionals		
2017	2015	2013
1 Finding qualified staff	Retaining qualified staff	Bringing in new clients
2 Retaining qualified staff	Finding qualified staff	Finding qualified staff
3 Bringing in new clients	Succession planning	Succession planning
4 Succession planning	Bringing in new clients	Retaining qualified staff
5 Owner/partner accountability and unity	Seasonality/workload compression	Retention of current clients

Addendum 1 continued

A look at trends

21+ professionals		
2017	2015	2013
1 Finding qualified staff	Retaining qualified staff	Owner/partner accountability and unity
2 Retaining qualified staff	Finding qualified staff	Bringing in new clients
3 Bringing in new clients	Owner/partner accountability and unity	Retaining qualified staff
4 Managing work/life balance initiatives	Seasonality/workload compression	Succession planning
5 Moving from a transactional service provider to a trusted adviser relationship with clients	Bringing in new clients (tie) Succession planning (tie)	Finding qualified staff



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