



State of Accounting Firms

Trends Report 2022

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Executive summary

The art of managing an accounting practice is very much the art of managing change. Whether it's adopting new technologies, introducing new hiring strategies or welcoming innovative approaches to client management, a firm's willingness and ability to be dynamic has always been a crucial factor in building a successful practice.

At no time, however, have accounting firms had to be more adaptable than over the past two years. This, of course, is thanks to the global pandemic, which has presented leaders with an unprecedented array of new and unique challenges to overcome just to maintain some semblance of operational normalcy, let alone be proactive and aggressively forward-thinking.

Caseware's first annual *State of Accounting Firms Trends Report* provides a window into what's happening in accounting offices around the world by going straight to the source. It presents a wealth of findings from our recent survey that asked accounting professionals about their top challenges in the face of truly unique circumstances. We discovered what they're doing to attract today's top talent, how they are interacting with clients and colleagues

in a mostly virtual world, and how technology is helping them survive and thrive — among many other key practice management topics.

Included throughout are "Peer Perspectives" — comments provided by survey respondents. For privacy purposes, these contributors are not identified.

The report aims to give you a look at how your peers are dealing with many of the changes and challenges that you, too, are no doubt facing — and hopefully provide insights into how to keep you firm on the right track toward success in 2022.

We hope you find it a source of valuable and useful information during an era in which change often seems to be the only constant.



Highlights at a glance

The move to the cloud is on

Most firms are adopting either a full or hybrid cloud model, capitalizing on its efficiencies, eliminating traditional headaches and ensuring they stay competitive.

Remote working is here to stay

Some form of work-from-home strategy will continue to be deployed by most accounting firms for the foreseeable future, quite possibly forever.

Mastering electronic client collaboration will become essential

As long as the pandemic continues to be a factor in the day-to-day operations of accounting firms, virtual client collaboration will remain a necessity.

Firms must be flexible in their quest for talent

The human resources landscape continues to change, and firms must be nimble to succeed in attracting the right people — and helping current staff thrive.

Visibility is set to open up

While many respondents indicated they struggle with a lack of insight into their firm's operations, technology will increasingly alleviate these concerns.



About the survey

Caseware conducted the 2022 State of Accounting Firms Survey from September to the end of November, 2021. It was offered in three languages: English, Spanish and French, and elicited 3,095 survey completions.

Nearly half of the respondents (47 percent) were located in the United States, with Canada being the second-most represented country, with 17 percent.

Respondents were asked to identify their title, which generated a large number of different answers. The most frequently identified

title was “Manager” (11 percent), followed by “Accountant” (eight percent) and “Senior Accountant” (3.8 percent).

Respondents were required to provide answers for each question in order to participate. They were offered the opportunity to give written comments for about half of the survey questions. 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 as we look ahead to what is certain to be another eventful year in 2022.

The pandemic and practice management

When respondents were asked to identify their biggest practice management challenges over the past year, three of the four most frequently selected answers were directly pandemic-related. Two others (using new technologies and rising cybersecurity/fraud threats) can also be tied to the situation surrounding the COVID-19 outbreak.

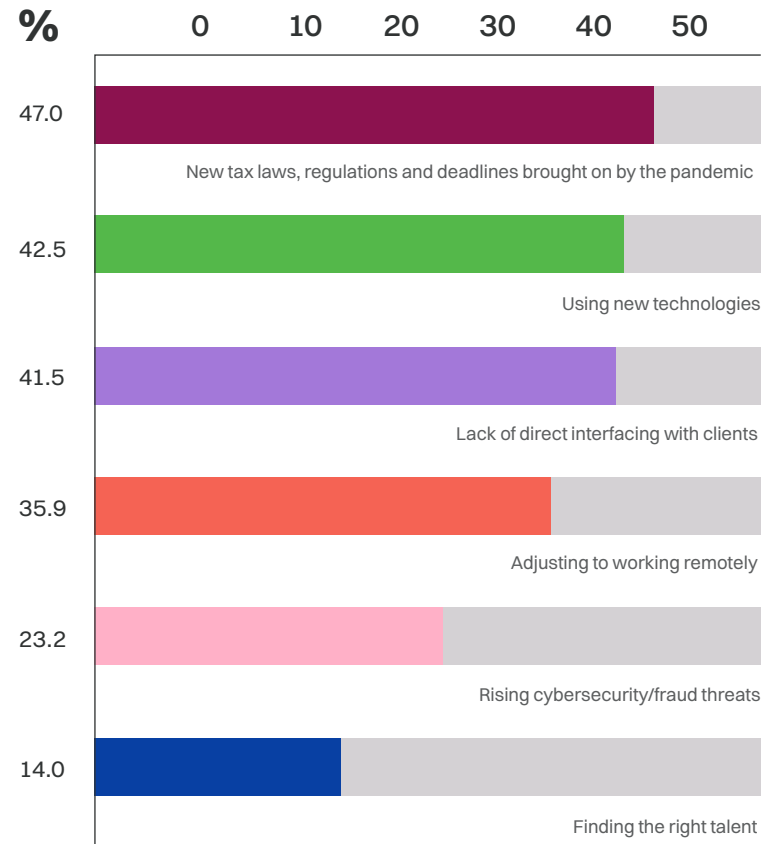
Two years ago, few would have predicted any significant impediments to interfacing with clients or adjusting to remote work, but those are very much the reality for firms in 2022. And with no clear end in sight to the pandemic, we can expect these types of challenges to extend well into the year.

Peer Perspectives

“COVID-19 has greatly affected our business. With more network work, security is a big challenge.”

“The pandemic created a lot of extra work (as we tried to) ensure clients received the maximum benefits.”

Q. What have been your biggest practice management challenges in the past year?



Remote work/Return to office

Accounting practices continued to embrace some form of remote work as the pandemic restricted any wide-scale return to offices.

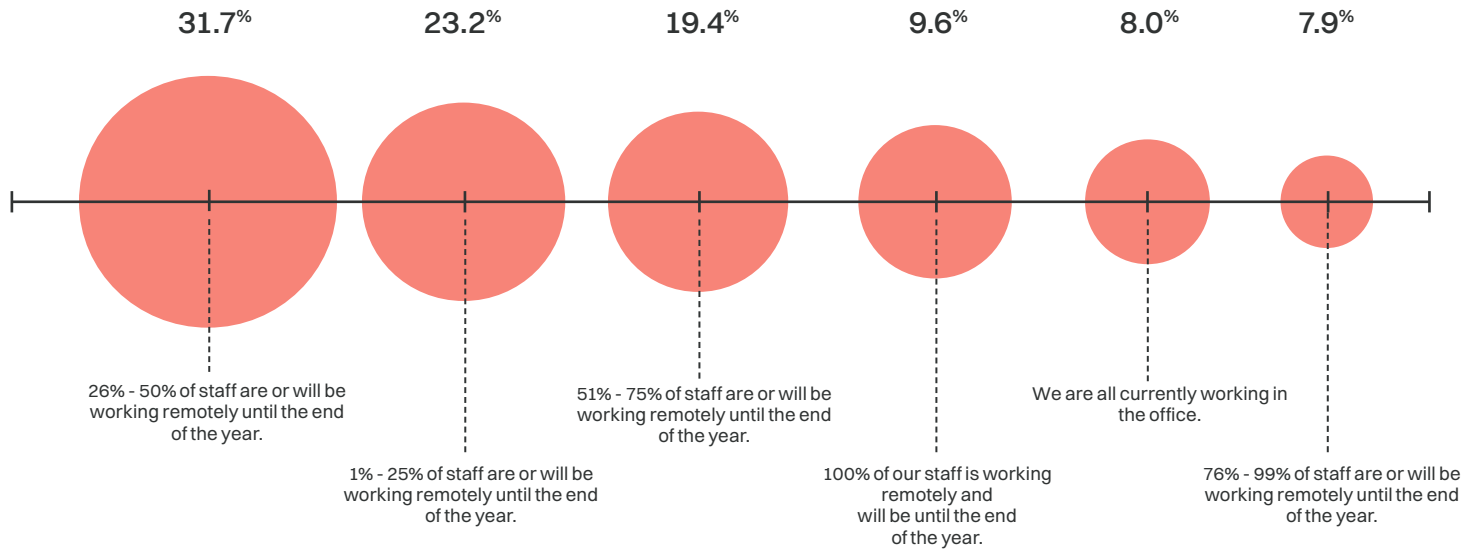
Only eight percent said their entire staff was working in the office.

One might expect this group would be comprised of firms with very small staffs, or even sole proprietorships, but of the 240

respondents who answered this way, a little more than 30 percent were from firms with 21 or more employees.

57 percent were from firms with 10 or fewer staff members. It's clear that a hybrid model in some form has been the approach of choice for most practices, with 82 percent of respondents indicating some form of this arrangement being in place.

Q. What percentage of your staff is either currently working remotely or plans to work remotely from now until the end of the year?



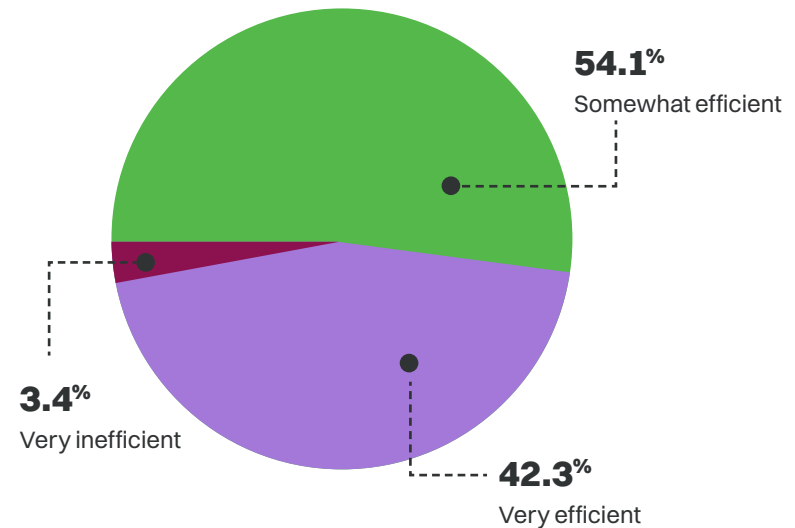
Client collaboration

Collaborating with clients in a mostly virtual environment continued to cause headaches for accountants as the pandemic stretched into a second year: 41 percent identified it as one of their top practice management challenges. Most respondents (77 percent) indicated they were using a collaboration software solution to communicate and share files with clients.

Despite the widespread adoption of such tools, however, the majority of those surveyed (57 percent) felt their overall client engagement process was not as efficient as they would like.

For some, the barrier was related to finding time to exploit the technology (“We have a good program, we just don’t use it to its full potential”) and internal resistance to new tools (“As ours is an older practice, there is some resistance to technology, but we are coping.”)

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



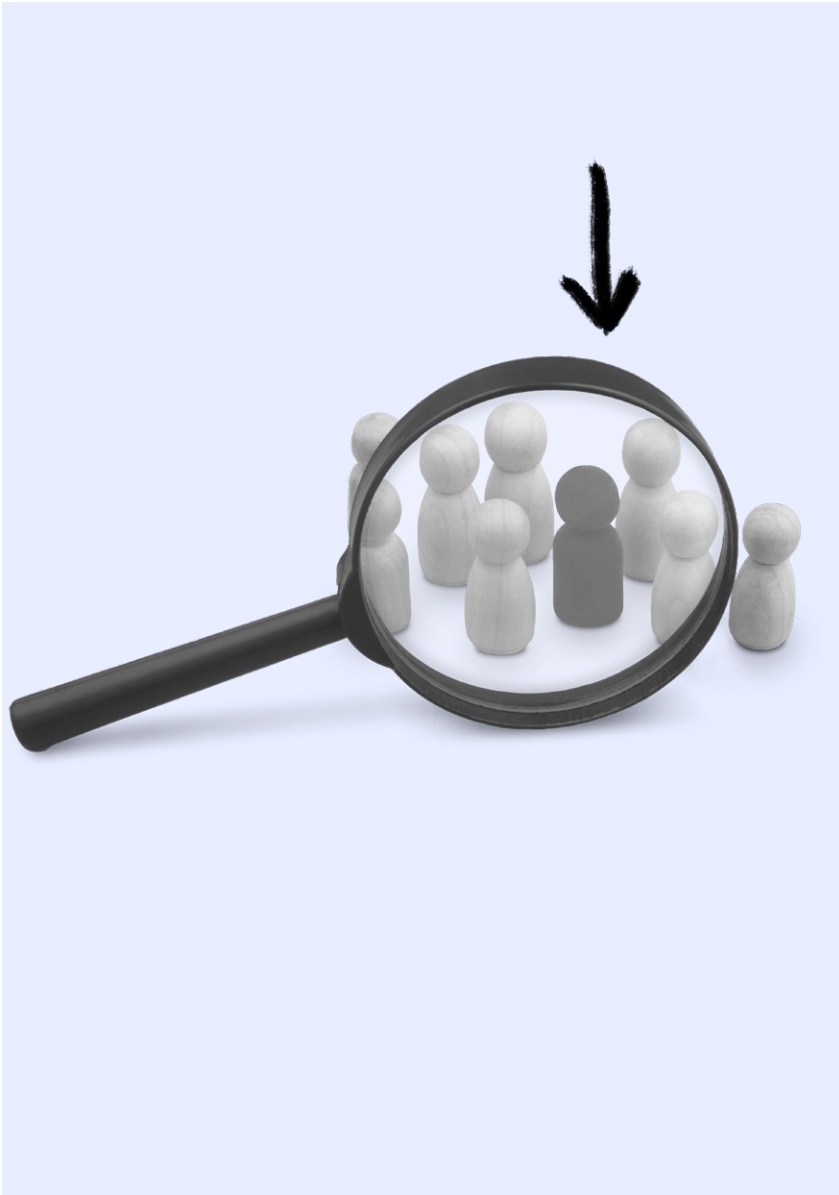
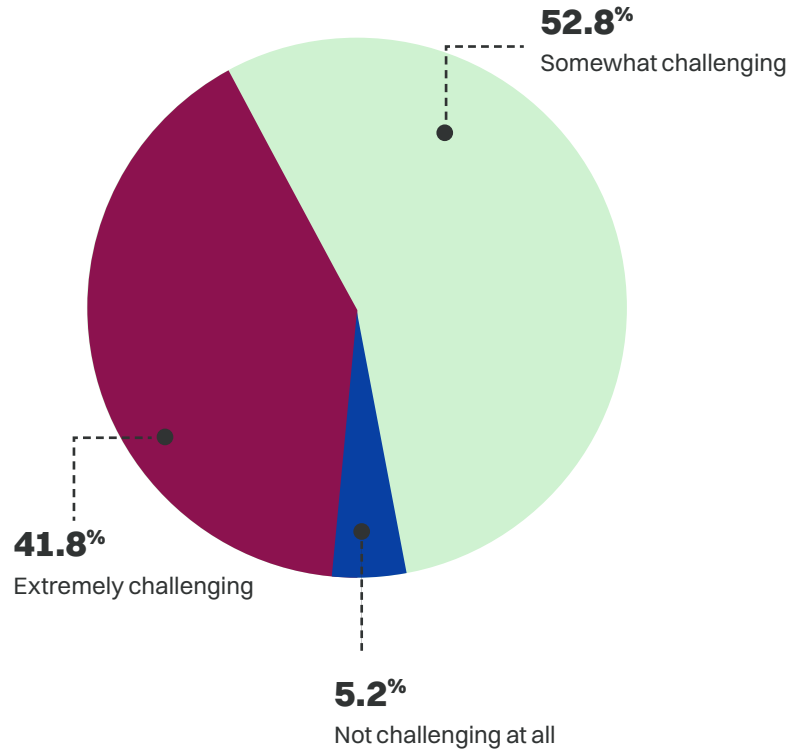
Working remotely has evolved the need for collaboration tools beyond securely sharing files. Collaboration tools are key to daily tasks and are needed for effective communication and efficient project management.

- Sarah Coulson, Industry Strategist, Caseware

Talent management

Finding and hiring the right talent is clearly a top issue for accounting firms. A full 94 percent described it as challenging: 42 percent said it was “extremely challenging,” while 53 percent chose “somewhat challenging.” Only a little over five percent found the task to be not challenging at all.

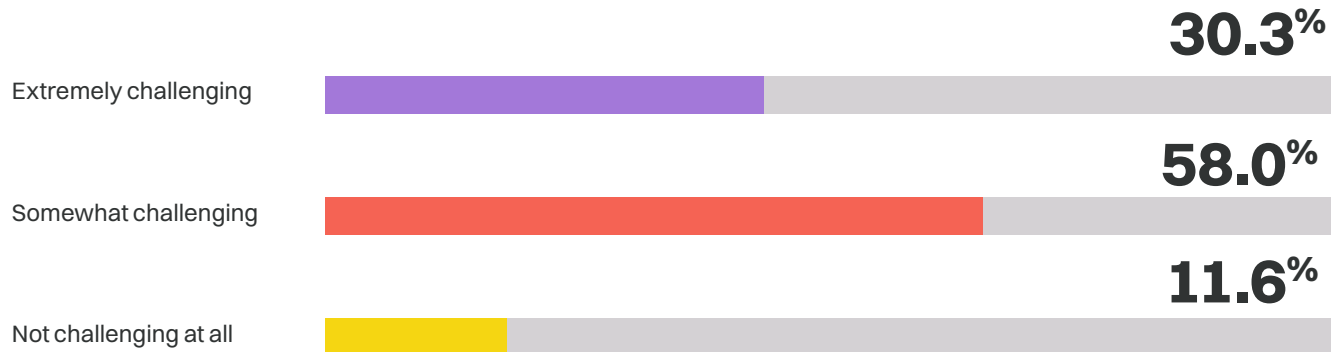
Q. How challenging is it to find and hire the right talent for your firm?



Retaining existing talent is proving to be a somewhat less severe headache for practice leaders, but only marginally so.

Nearly nine in 10 (88 percent) of respondents found hanging on to staff to be either “extremely challenging” (30 percent) or “somewhat challenging” (58 percent).

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



Peer Perspectives

“Right now, I am fully staffed, but I am very worried if I lose someone and have to replace them.”

“We practice in smaller towns and this does not seem to appeal to the majority of experienced accountants.”

Talent in accounting ebbs and flows. Some years there is a great shortage and other years there is talent available. With many in-person recruiting events canceled or turned virtual, it is more difficult to build connections during talent acquisition. While firms are adapting their hiring practices, the retention of existing employees is equally as important.

- Sarah Coulson, Industry Strategist, Caseware



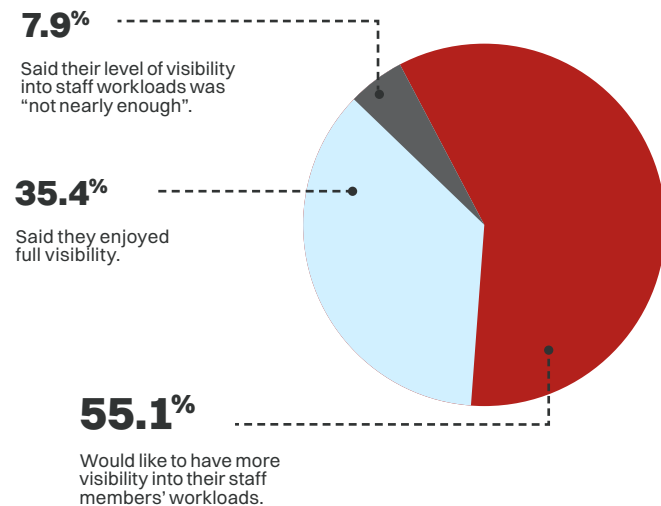
Seeking greater visibility

It's a simple fact, but one that remains as true — and important — as ever: the more an accounting practice leader can see into their firm's operation, the more equipped they are to fine-tune their workflows for better outcomes. However, survey results to questions addressing this concept of visibility indicate that firms currently don't have as much of it as they would like.

More than half of respondents (55 percent) said they would like to have more visibility into their staff members' workloads. Information on which engagements staff are spending the most time, with what tasks they are most consumed, and how effectively they are meeting deadlines, for instance, are not always clear.

Some (nearly eight percent) even said their level of visibility into staff workloads was "not nearly enough."

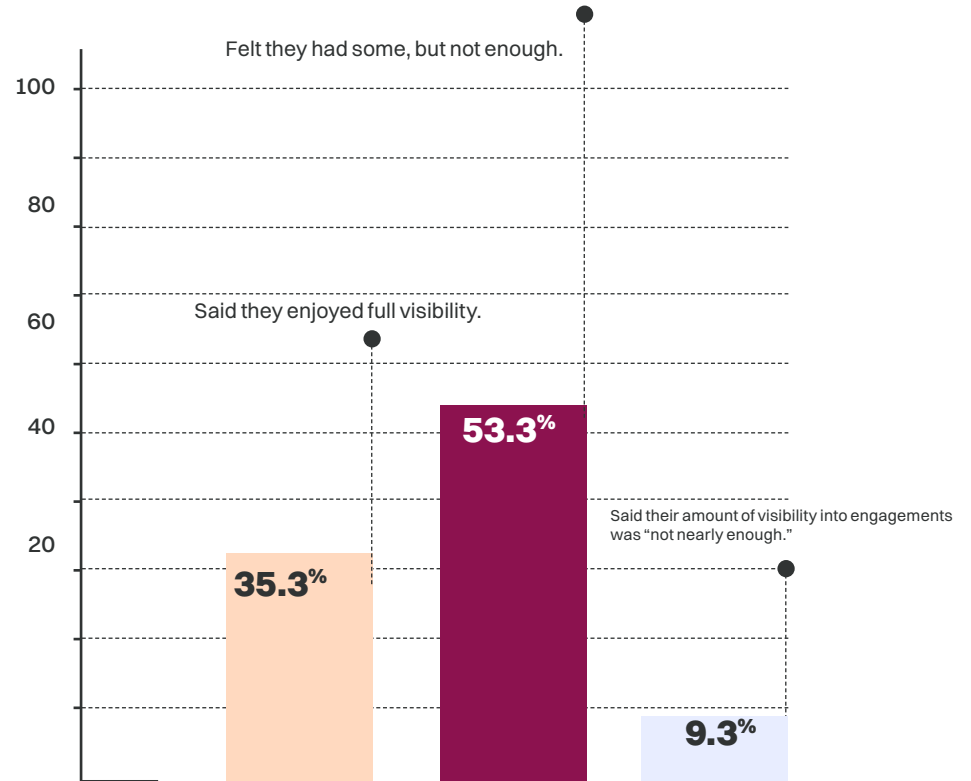
Only a little over one-third of respondents (35 percent) said they enjoyed full visibility.





We see strikingly similar results around the topic of visibility into engagement workflows. Slightly more than half of those surveyed (53 percent) felt they had some, but not enough, visibility into such factors as: the current status of the many tasks that go into an engagement (whether they are open, unassigned or overdue, for instance); whether deadlines are overlapping; or where work can be reallocated, if necessary.

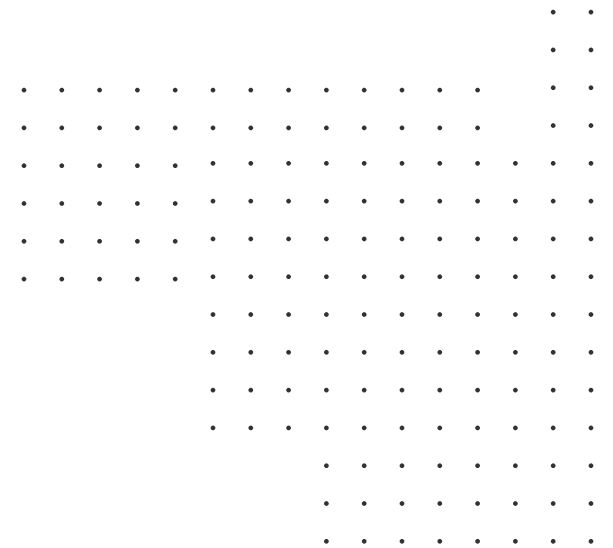
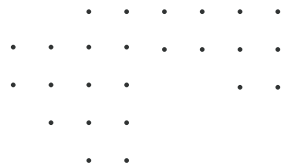
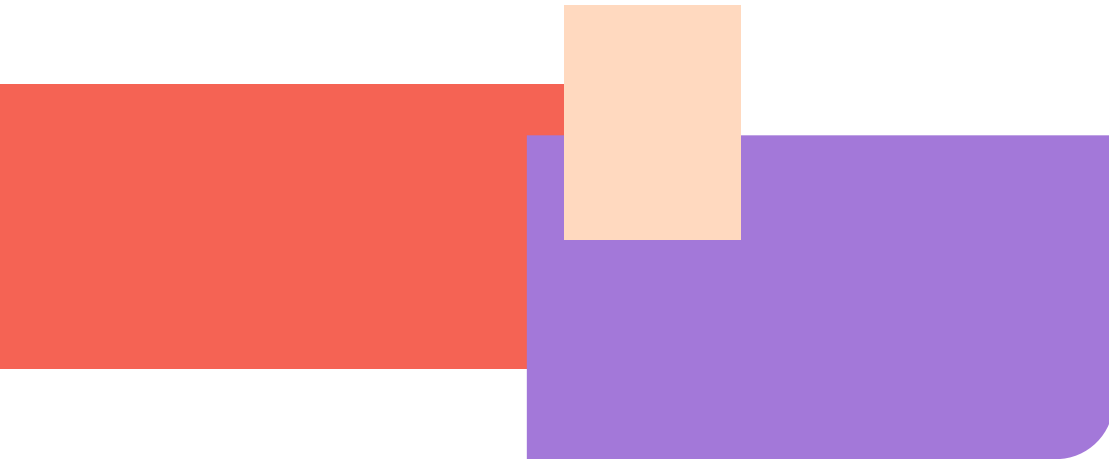
Nine percent simply said their amount of visibility into engagements was “not nearly enough.” And again, just one-third said they enjoyed full visibility in this area.



Not long ago, the concept of visibility into an accounting practice's workflows was not as prevalent in discussions as it is today. That's because, quite simply, there wasn't much of it available. Measurements of time spent on engagements, or specific tasks within those engagements, were typically infrequent and inexact. If, for instance, a staff member's engagements routinely went over their targeted timeframe for completion, a closer examination into the cause would take place with the aim of finding measures to correct the issue.

Today, the idea of visibility is more top-of-mind because tools now exist to provide it in crystal-clear formats. Advanced software solutions feature real-time, interactive dashboards that provide continuously updated data on the health of engagements and immediately flag potential danger spots. Similarly, these solutions can keep track of deliverables and let managers quickly reallocate tasks among staff to ensure workloads are equally distributed.

As more firms realize just how crucial visibility is to their future success, more will look to integrate into their practices the kind of modern workflow management software that enables it. When that happens, the percentage of those that say they enjoy full visibility will undoubtedly rise beyond just one-third.





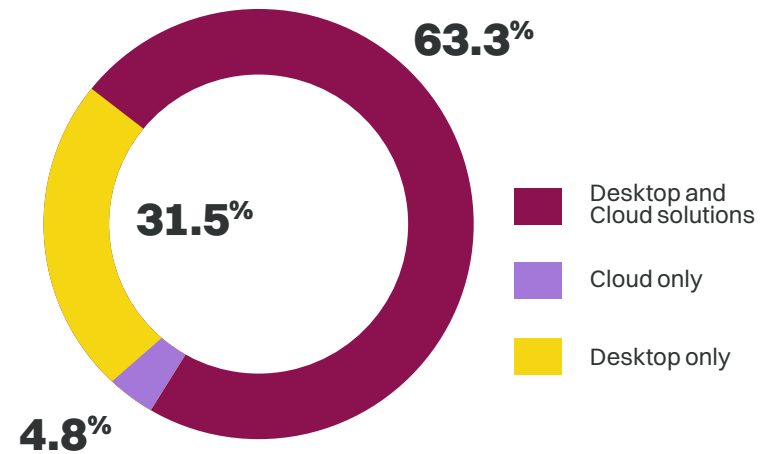
Technology trends | The cloud takes hold

With more than two-thirds of respondents indicating they are using some form of cloud computing, it is clear this model is taking hold within accounting practices. Most of this group (63 percent of all respondents) is using it in conjunction with their traditional desktop software tools.

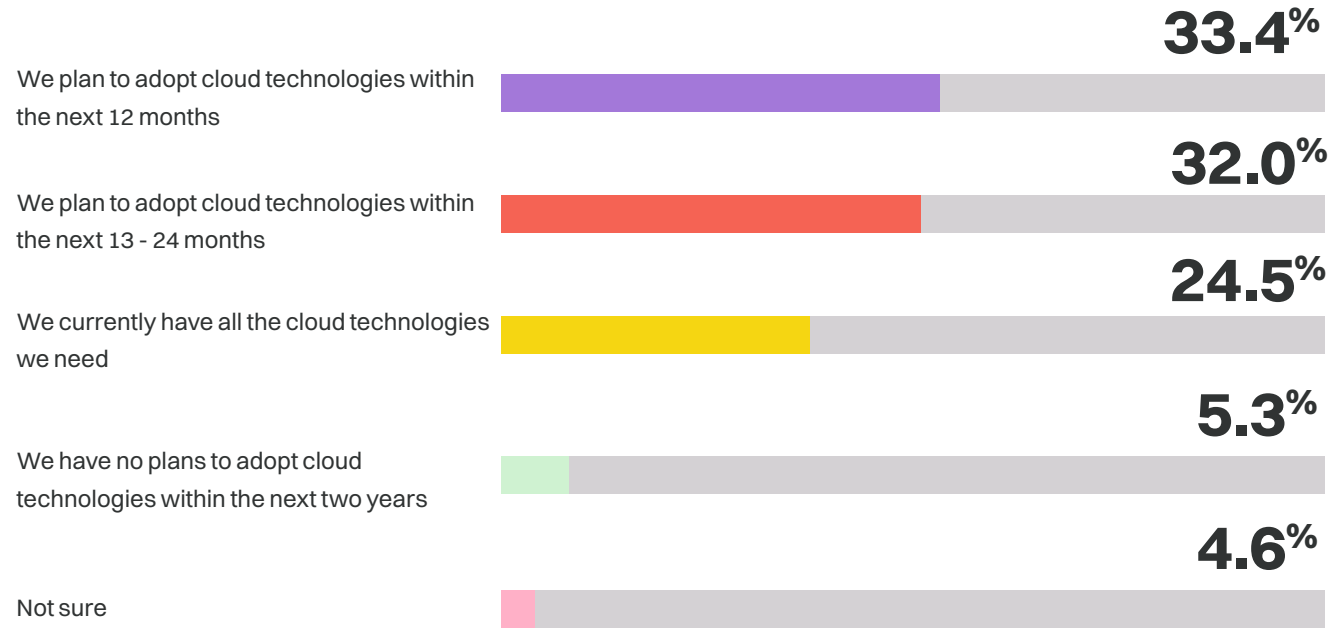
Nearly one-third (31 percent) are still completely desktop-based, but survey findings indicate that number will most likely dwindle in the immediate future. When asked to indicate their plans for bringing cloud technology into their practices over the next two years, only five percent declared they have no plans to do so.

Close to five percent of those surveyed were not sure of their cloud plans.

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



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



Implementing cloud technology on engagement software was game-changing for me when I was a practicing accountant. It allowed me to manage multiple teams more efficiently, by enabling me to review engagement files and efficiently answer team member questions, while at a different location. I was able to access the engagement file from a separate location and clearly understand the issue the team was facing in real time.

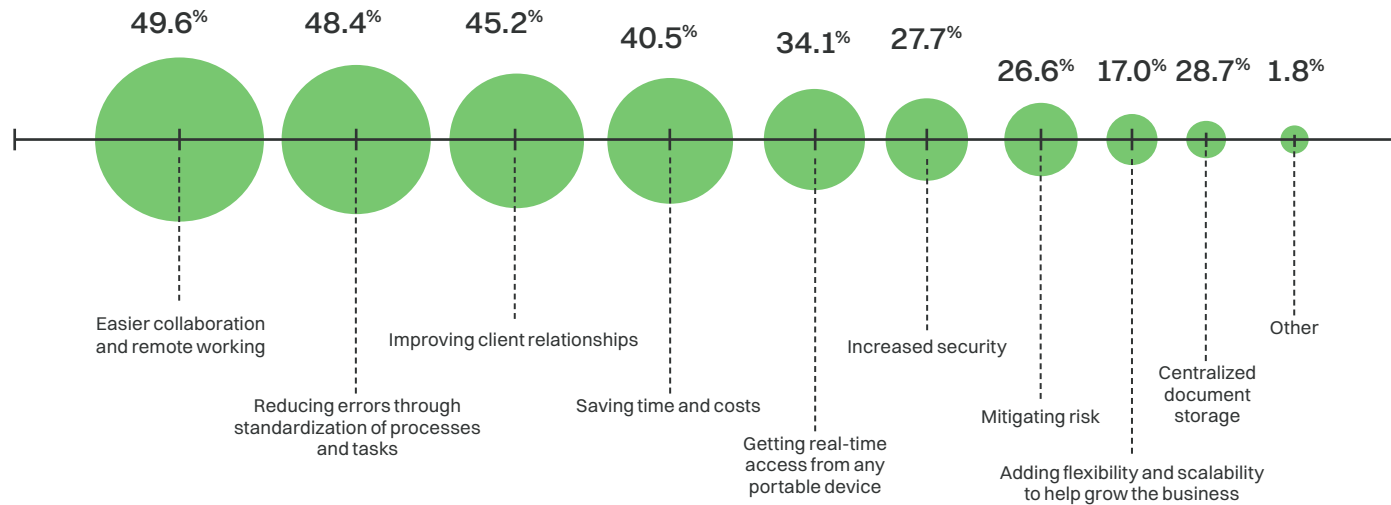
- Sarah Coulson, Industry Strategist, Caseware

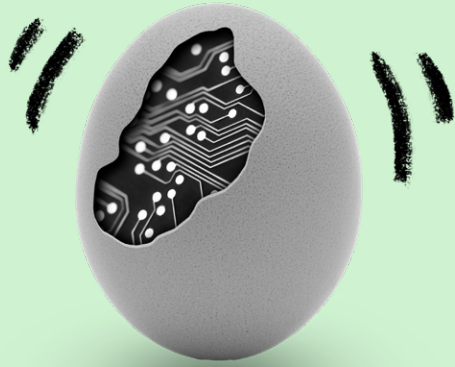
An increase in cloud adoption over the next two years would not be surprising, considering the ongoing pandemic continues to drive uptake in cloud tools that enable remote working. Indeed, when asked to identify the benefits they hope to derive from cloud solutions, “Easier collaboration and remote working” was the most popular choice among respondents (nearly 50 percent).

Peer Perspectives

“With the latest cloud technology, we can meet customer needs more efficiently.”

Q. What benefits do you hope to derive from using cloud technology? (Select all that apply)



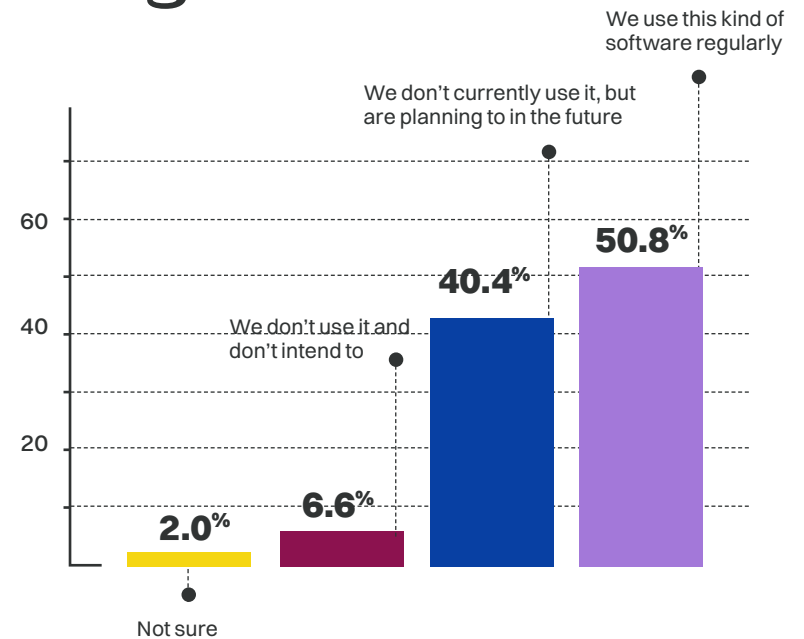


Additional advanced technologies

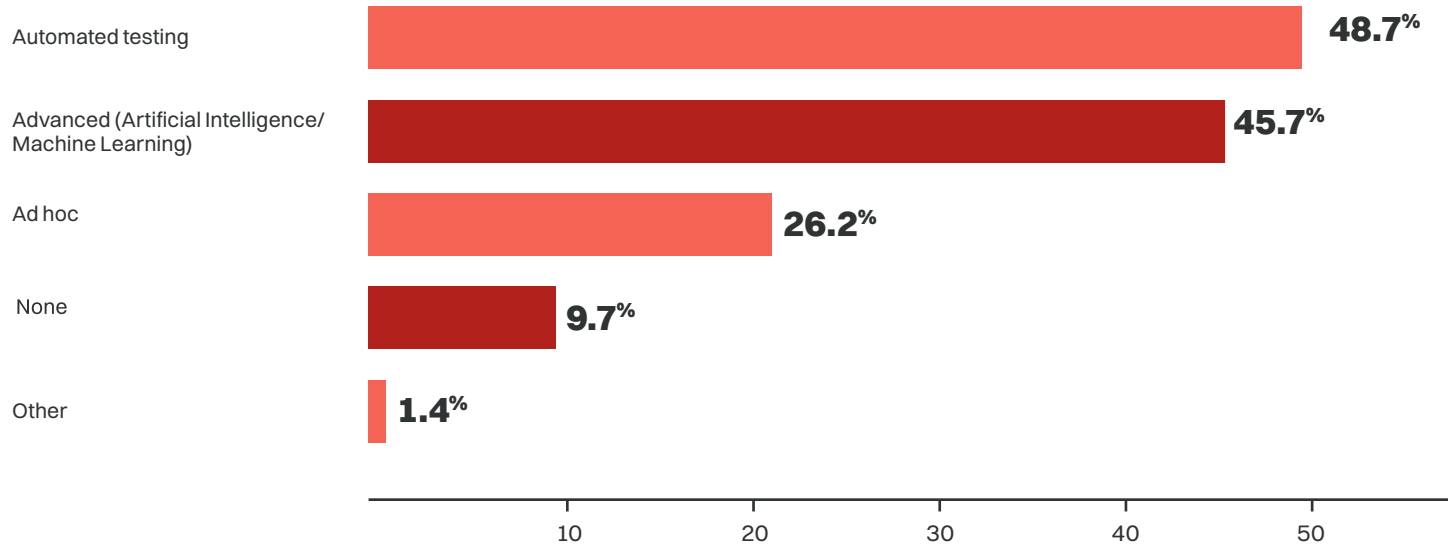
Cloud is not the only advanced technology accountants are bringing into their practices. When it comes to data analytics, for example, survey results show that 90 percent are using some form of it, allowing them to glean richer insights from their data.

Software automation tools are also taking hold, with more than half of survey participants (51 percent) saying they use them regularly, helping them reduce the time they spend on repetitive tasks.

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?



Q. What type of analytics are you using?



Peer Perspectives

■ "If I don't use new technology, I will fall behind others and be gradually eliminated by this industry."

Key takeaways

The move to the cloud is on: Only five percent of respondents said they have no intention of adopting any cloud technology in the next two years. Most are adopting either a full or hybrid model, and this is not very surprising, given the efficiencies the cloud brings and the headaches it eliminates. Accounting firms that stay rooted in pure on-premises technology approaches are almost certain to fall behind their cloud-enabled competitors.

Remote working is here to stay: Some form of work-from-home strategies will continue to be deployed by most accounting firms for the foreseeable future, quite possibly forever. Accounting practices must enable this type of setup for a workforce that has grown increasingly comfortable with the greater flexibility remote/hybrid work has offered them throughout the pandemic. When the pandemic does mercifully recede, offices will begin to populate once again, but only as an option for employees — not an imperative.

Mastering electronic client collaboration will become essential: Despite the challenges it has presented accounting firms, virtual client collaboration became a necessity for most

throughout the pandemic. As long as COVID-19 continues to play an unwelcome role in our lives, we will still have to rely on this approach. Firms that dedicate themselves to utilizing technologies that make it possible will thrive and be well-positioned for whatever the future may hold.

Firms must be flexible in their quest for talent: The pandemic has drastically changed how new hires are sourced, trained and retained. In 2022, firms will have to continue to adapt to a new landscape that features increasingly distributed teams, virtual hiring processes and a new generation of finance professionals who have well-defined expectations of their careers and employers.

Visibility is set to open up: While many respondents indicated they struggle with a lack of insight into their firm's operations, technology will increasingly alleviate these concerns. Modern solutions already offer deep visibility into processes, and as adoption rates continue to rise, this issue figures to recede in the years ahead.



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