While it’s true that “no plan survives first contact with the enemy”, most tax and accounting firms were caught without even that when the global COVID-19 pandemic forced monumental changes to business processes and ways of working almost overnight.

In the aftermath, tax and accounting firms face increased risks, a tight labor market, information security concerns, an increasingly competitive marketplace, and clients with modern expectations.

Is your firm ready for 2022? Are you embracing challenges in a way that will prepare you for the future?

Even with some return to normalcy, tax compliance, accounting, and audits are as complicated as ever, with rapid regulatory change and the many new programs put in place in response to COVID-19 adding additional complexity. The following whitepaper offers guidance on strategic planning for 2022, and the opportunity to enter the new year with a sense of preparedness.

**HOW IMPORTANT IS STRATEGIC PLANNING?**

Most firms know that they need to go through the strategic planning process described here on at least an annual basis. In our experience, however, this is one of the projects that gets put off when a busy firm starts prioritizing what it needs to do. As a result, many firms do not go through a formal strategic planning process, although they need the long-range vision to effectively guide and direct their practice management decisions on an ongoing basis. Most firms do, however, routinely develop at least a rudimentary budget each year. For a variety of reasons, many firms believe that the budget component of a comprehensive business plan is more important than the strategic plan component. However, the development of a strategic plan goes hand-in-hand with the budgeting process, as firms must have an idea of where they are going before the budgeting process can be realistic and meaningful. Therefore, it is difficult to develop a reliable budget until the firm has developed a strategic plan.

Strategic planning is one of the most important activities a firm can perform, because the public accounting industry changes at such a rapid rate. Newly issued accounting and financial reporting standards can potentially affect every firm. SEC rulings, PCAOB activities, and state regulatory initiatives may also have an impact on the services provided by the firm. Additionally, new technology is rapidly changing how firms provide services and the types of services provided. Even the smallest firms should have a one-page strategic plan with measurable goals. Without consciously and thoughtfully planning the firm’s direction, a firm can lose its competitive advantage before it can position itself to respond.
DEVELOPING A STRATEGIC PLAN

The first step in the planning process is to develop a strategic plan. Effective strategic planning helps to establish firm direction, improve communication, promote creativity, and focus the firm on action. A strategic plan provides the vision for the firm to grow and prosper. In developing a strategic plan, a firm draws upon historical data and current conditions in defining its short-term and long-term goals. A strategic plan serves as a road map for where the firm wants to go in the future. Without such a road map, an accounting firm is like a ship without a rudder - pushed this way and that by forces beyond its control. A firm that has a well-developed strategic plan, however, controls its own destiny.

WHEN SHOULD STRATEGIC PLANNING BE DONE?

Generally, a firm should review and update its strategic plan on an annual basis. However, the frequency also depends on the nature and needs of the firm and its immediate external environment. For example, if the current industry situation or the local environment is rapidly changing, the firm should consider updating the strategic plan more often than once a year. (Additionally, the final action plan should be comprehensive and detailed to ensure that the firm doesn’t get blind sided by the rapid changes occurring.) On the other hand, if the firm has been around for many years and is in a fairly stable marketplace, then planning might be carried out once a year with only certain parts of the plan being updated each year.

A firm should generally perform strategic planning at the following times:

• When a firm is getting started
• In preparation for a major new venture, for example, a merger, acquisition, or adding litigation support to the services already provided by the firm
• Annually to be prepared for the coming fiscal year

STEPS IN DEVELOPING A STRATEGIC PLAN

The main steps that are usually followed in developing a strategic plan are as follows:

☐ Prepare a vision statement.
☐ Prepare a mission statement.
☐ Perform a “SWOT” analysis whereby the firm identifies its primary strengths, weaknesses, opportunities, and threats.
☐ Establish objectives.
☐ Develop strategies that will help the firm accomplish its objectives.
☐ Formulate an action plan that defines specifically how the firm will accomplish its objectives.

COMPLETING THE STRATEGIC PLAN

It should be obvious that developing a strategic plan is a time-consuming process, especially in the first year. Once the last planning session is complete and the planning group has developed action plans for all strategies that the firm has decided to pursue, the plan should be prepared and distributed to each member of the planning group for a final review. It may even be necessary for the group to get together a final time to resolve conflicts.
NEXT STEPS

Once your plan is complete, and you’ve developed strategies to help your firm accomplish its objectives, it’s time to execute your action plan. During your SWOT analysis, you should have identified opportunities and threats. While each firm faces unique challenges, in today’s market, most tax and accounting firms face common issues such as difficulty recruiting and retaining top performing staff, creating a plan for digital transformation, transitioning to a new role as trusted advisor, and maintaining information security while adapting to the new ways of working forced by the COVID-19 pandemic. In the following pages, we’ll outline steps your firm can take during strategic planning to address the following areas of concern:

- Recruiting/retaining staff
- Digital transformation
- Information security in the age of remote work
- Client relationships
- Expanding your practice to include advisory

RECRUITING

The shortage of accounting professionals is a major issue for a majority of firms. Qualified professionals are difficult to find and attract because of the heated competition among employers for their skills. Increased competition for employees and fewer accounting graduates coming out of college each year have combined to make the accounting profession’s staffing crisis more acute over time. As a result, recruiting has become as important as marketing to many firms.

Hiring and retaining staff is critical to an accounting firm’s long-term survival. Without qualified staff, an accounting firm cannot grow, nor can it serve clients efficiently and profitably. In all but the smallest firms, partners must leverage their time between many engagements and depend on staff to perform ongoing client service activities.

Many people think of recruiting as interviewing and making offers but recruiting encompasses much more than that. To an accounting firm, recruiting should represent a comprehensive program covering the various steps that culminate in hiring a particular individual to fill an identified job position. Those steps should be part of an ongoing program, even when the firm is not actively looking to hire.

Hiring and retaining staff is critical to an accounting firm’s long-term survival. Without qualified staff, an accounting firm cannot grow, nor can it serve clients efficiently and profitably.
DETERMINING THE TYPES OF CANDIDATES TO TARGET

Before beginning a recruiting campaign, your firm needs to determine what type of candidates it wants to target. Job candidates can be new graduates with little or no experience or highly experienced with specialized knowledge. The days of the “cookie-cutter accountant” are gone. To be successful, accounting firms should realize that a fundamental paradigm shift has taken place. There are no longer strict rules that define who a public accounting professional is or should be.

Before beginning the recruiting process, firms should identify the types of candidates who would most likely fit the profiled position. The types of possible job candidates a firm might target include the following:

**Recent accounting graduates**
New accounting graduates have historically been hired primarily by the national accounting firms, while local firms have typically hired experienced accountants. As times have changed and competition for employees has intensified, many local accounting firms have expanded their horizons to consider new graduates as viable job candidates. It should be noted, however, that the number of recent college graduates with accounting degrees is less than the demand for those graduates.

**Experienced accounting professionals**
Local firms have often looked to hire primarily experienced accounting professionals. Those firms have chosen to let the national firms “train” new graduates and then hire them after they have accumulated years of experience. That strategy, while still relevant, is not as easy to apply in today’s labor market. In addition, many firms have begun to target very experienced professionals with expertise in key areas to help the firm grow in a particular industry or other area of expertise. Individuals that can help firms develop specialized niches are extremely valuable to a firm’s long-term growth and profitability potential.

**Older professionals**
In the past, national accounting firms have virtually ignored talented individuals who did not fit the “early twenties and right out of college” mold. Hiring someone over 25 years of age (other than possibly at the partner level) was almost unheard of. Today, accounting firms have begun to realize that these professionals can play a valuable role in the firm. There are many seasoned professionals with strong job ethics who were either “downsized” out of a job or have chosen to leave the hours and stresses of the corporate world. They may be excellent job candidates, particularly as part of the firm’s database of talent. In addition, they may be willing to accept flexible work arrangements to help the firm fill gaps during the busy season.

**Graduates who are not accounting majors**
Because of the increasing difficulty in locating qualified job candidates, some firms are beginning to practice less orthodox recruiting methods. Many firms are now recruiting graduates who are not accounting majors. This trend is occurring not only with national firms but with local firms as well. Firms today provide a wide range of nontraditional services, such as consulting and investment services, which do not necessarily require an accounting degree. Talented and motivated candidates with business, computer science, communications, or other areas of expertise may possess important qualifications for being successful in the accounting profession. Firms should consider following the actions of industries outside of public accounting. For example, the CEO of a multimillion-dollar software development company said, “We can take English majors who know nothing about software and make them great marketers. What’s important is that they’re very good or the best at something. It doesn’t matter what.”
Retired professionals

Retired accountants and other business professionals may be another resource to firms on a full-time, part-time, or seasonal basis. For example, one large local firm familiar to the authors has hired several “retired” bank examiners as staff auditors. Because of the favorable retirement packages offered to many government employees, it is not unusual to find well-qualified retired government professionals who are younger than age 55.

Interns

College students may be able to fill short-term, temporary staffing needs. Some firms hire college interns as part of an overall campus campaign to heighten awareness and improve the reputation of the firm. Providing temporary intern positions to college students can both improve relations with targeted universities and potentially fill temporary job positions that do not require the employee to exercise a great deal of judgment or to perform a lot of work independently. However, to achieve the best success with an intern program, firms should not give them only mundane, simple assignments, which will quickly bore the young professional. Try to get interns out to clients, involve them in the recruiting program, and as much as possible, let them see the various facets of being a public accountant and CPA. Many firms have used the strategy of hiring interns during their junior and senior years of college and then encouraging them to stay with the firm once they graduate. While this has been a successful strategy, today’s competition for accounting graduates may demand that firms start expanding their reach by looking at sophomores or even freshmen students who have identified accounting as their area of interest.

Underrepresented groups

Accounting firms have historically done an inadequate job of hiring and retaining an ethnically diverse staff. Thus, the firm should establish a business directive to ensure its workforce reflects the diversity of the firm’s client base and the country. Special recruiting efforts may be required to attract top candidates from diverse racial backgrounds. Firms should consider partnering with local chapters of national affinity groups dedicated to increasing the number and the visibility of accountants and finance professionals from all ethnicities, such as the National Association of Black Accountants, Inc. (www.nabainc.org), the Association of Latino Professionals for America ( www.alpfa.org ), and Ascend (www.ascendleadership.org). Another idea is to sponsor a scholarship program in the local community for underrepresented groups. Doing so helps to raise the firm’s visibility in the community, while at the same time providing a valuable public service. Additionally, consider hosting recruiting events at colleges with large ethnically diverse populations, such as Historically Black Colleges and Universities (HBCUs), to expand your pool of racially diverse talent. Once the recruiting process is mastered, half the battle in a staffing crisis is won. The firm will have gained a significant strategic advantage over the competition.

Flex-time and telecommuting professionals

The COVID-19 pandemic took working from home from “nice work if you can get it” to “absolutely essential for business continuity”. Software solutions like the Thomson Reuters® Cloud Audit Suite allow staff to work (anywhere in the world) from the same document at the same time as colleagues without worrying about version control, making telecommuting a plus for the firm as well as staff. Former employees available only for part-time work, an employee who needs to care for young children or for an ailing family member, or an employee whose spouse has been relocated, may be an ideal candidate for such a work arrangement. These individuals are already loyal to the firm and have been trained in the firm’s policies and procedures.
SOLICITING CANDIDATES THROUGH ADVERTISEMENTS

Posting opportunities on online employment sites, in newspapers, business publications, trade journals, state and local CPA magazines or newsletters, or school bulletin physical and electronic boards can be an effective method of reaching a broad range of potential applicants. It can be particularly effective for recruiting experienced personnel, including professional, administrative, and nonprofessional employees. These job postings should be carefully worded to reduce the flow of under- or overqualified applicants. Firms may wish to adopt any or all of the following tactics, both when drafting the job post and when processing responses, to reduce the amount of time necessary to process the applicants:

• Tell respondents by email the approximate timetable for the selection process
• State the dates the firm will no longer accept responses and applications
• Discourage respondents from trying to shortcut the selection process
• Screen respondents before interviewing
• Conduct two interviews

DELIVERING THE RECRUITING MESSAGE

To be effective, your firm should be creative and should deliver its recruiting message at every opportunity and in every available venue. The firm’s commitment to recruiting directly affects its success in obtaining (and ultimately retaining) qualified staff. Once you’ve recruited the staff of your dreams, it’s time to focus on retaining your new hires.

RETAINING STAFF

The public accounting profession is constantly changing, and the need for experienced, highly technical staff is more critical than ever. In the past, common practice was to hire new inexperienced staff, train them, get a few years of hard work from them, and then expect them to leave. Today, most firms cannot afford that strategy. It is too expensive to hire and train staff only to lose them in a few years. The true cost of losing a professional young staff person includes the cost of executive search fee for replacement, re-training, and the loss of morale. Also, with the increased use of computer technology, there is less low-level staff work to do. More work is now of a technical or analytical nature, requiring experienced and knowledgeable personnel. Retention of quality staff, therefore, is vital to a firm’s success.

In today’s environment, lifestyle choices and job satisfaction are major factors that employees consider when deciding whether to stay with a firm. Adequate compensation and benefits are obviously important and necessary, but the firm’s culture is often just as important to an employee. The firm’s culture significantly impacts an employee’s overall perception of the firm and, in the long term, can often be the reason an employee chooses to stay with the firm or to go elsewhere.

Firms that are interested in retaining high-quality staff into the future should objectively try to answer the question, “What does our firm culture say to employees?” Proactive firms take the time to critically evaluate and improve the culture that surrounds their employees on a day-to-day basis. A firm should evaluate its culture by asking staff members for their opinions on matters such as which cultural characteristics are present in the firm, which need to be more fully developed, and which should be improved upon or eliminated? The staff should be encouraged to answer with honesty and candor. The firm needs to know the staff’s perceptions - right or wrong, good or bad. Ultimately, the firm’s culture is the culture as perceived by the staff.
Based on the answers received, the firm should commit to changing negative perceptions into positives to the extent possible. Perceptions do not change overnight, however. It typically takes time and continued reinforcement to change perceptions or attitudes about the firm.

The firm’s culture should communicate the message to employees that they are valuable and deserving of respect. While not all-inclusive, some of the cultural benefits a firm can provide are:

- Positive work environment
- Emphasis on personal development
- Recognition of performance
- Emphasis on the individual as part of a team
- Delegation and empowerment
- Open communication
- Information about the firm

The following paragraphs explore the most important cultural benefits a firm can provide to staff in greater detail.

**Positive work environment**

Overall working conditions may be the single most significant factor that contributes to an employee’s level of job satisfaction. Few people enjoy being in a negative or oppressive work environment. Firms should strive to establish a work environment that encourages employees to want to perform to their potential. Firms should particularly work to maintain a positive environment during busy season as deadlines approach and tensions mount. If the firm management style promotes employee insecurity, hostility, or intimidation, employee morale will probably always be low, even if employees are well compensated.

Motivation is greatly impacted by the office atmosphere. A negative atmosphere impacts the staff’s motivation and desire to come to work every day. Responders to the survey indicated that they would be prompted to look for another job if they experienced a prolonged period of a “downtrodden” atmosphere. Another finding from this survey noted that staff are attracted to a work environment where continuous improvement, not just change, is a core value. It is important to work in an environment where the ratio between those whose mind-set is to improve/innovate is much greater than those who maintain the mind-set of “that’s the way we’ve always done it.”

Perhaps one of the major selling points to attract and retain firm talent is to advertise the firm as a more sane, healthier work environment, and really make it that way. Doing so could position the firm’s commitment to work/life balance as a distinguishing characteristic between the firm and the competition. Some partners may believe that if they really embrace the issue, firm productivity may plummet. Others worry about how the firm will sustain its financial health. A recent workplace survey indicated that 25% of managers who cut back their hours to spend more time with their families received promotions because their productivity increased. Spending less time at work and more time at home made their work time more productive. When the challenges of home life and family relationships can be attended to, employee energy is freed up at work. It’s a win-win situation.

One reason why work/life balance is so important today is because the younger generations view work differently from previous generations. The old accounting firm model with its up-or-out, one-size-fits-all career path no longer works effectively. In that model, long-term employees are always full-time, on site, uninterrupted (they do not leave and come back), and exclusive (they work for the firm only). Any firm that still follows that model has likely already suffered a staffing crisis, not to mention a morale crisis, because that approach is not sustainable. Employees of every generation are reevaluating their careers in light of other commitments. Leaving high-paying jobs to open home businesses for a less stressful environment has become commonplace among all ages. Quality of life has become a major issue for many workers, and not just the younger generations.
Flexible Work arrangements

When a staff member turns in his or her resignation, the firm should first determine whether a more flexible work arrangement will entice the staff member to remain as an employee. Once the firm has invested in recruiting and training, it has a stake in retaining that person - even if not as a full-time, on-site employee.

If the firm cannot keep the whole employee, why not keep as much as possible? Instead of losing them, offer valued employees a flexible work arrangement such as part-time, telecommuting from home, seasonal staff, or consultants via cloud-native software like the Thomson Reuters Cloud Audit Suite.

One Fortune 500 company reported that 85% of full-time employees who were prepared to leave stayed with the company when offered flexible work arrangements. That statistic illustrates just how effective offering flexible arrangements can be in retaining staff. Industry statistics have proven that by giving employees control over their work environment, the employer can increase employee morale and loyalty to the company.

Flexibility is the battle cry today. If the firm is willing to be flexible enough to achieve work/life balance for its staff, it will likely be successful in the future, both in staff retention and overall firm profitability. If the firm becomes truly flexible, it may not only meet the demands of the changing marketplace, but also become the employer of choice of individuals seeking alternatives to the workplace of the past. Firms should consider the strategic advantage such a paradigm shift would capture.

Emphasis on personal development

If the firm seeks to retain high-quality staff, it should develop those individuals and provide opportunities for their continued professional growth throughout their careers. Since professional staff are required to receive a certain number of CPE hours each year, the firm should ensure that those CPE hours are meaningful and relevant to the extent possible. Taking CPE just to satisfy the hour requirement wastes the firm’s opportunity to increase both staff quality and job satisfaction.

The firm should attempt to provide staff with courses that improve their individual skills, such as developing an industry expertise, increasing knowledge in a particular area, or providing management or other skills as appropriate.

The key to successfully training and motivating staff to want to continue to learn is to give the staff the remote control, so to speak. Once the firm has set learning objectives and deadlines and identified all available learning resources, let the staff process those resources in their own way and at their own pace to reach each objective and meet each deadline. By providing the resources and learning flexibility, young staff are empowered with ownership of their training process.

Once staff members have identified training needs for specific engagements or projects, they can then propose to management a comprehensive training plan for the year. The proposed CPE plan can identify specific CPE classes, online training, etc., that staff believe will best address their needs. Management then can use the proposed plan...
to negotiate with staff to arrive at an approved training plan. Management should remember that training needs may change rapidly, so the CPE plan may need to be modified during the year.

If the firm prepares staff to anticipate their own training needs and ensures the necessary learning resources are at their fingertips, they will assume new responsibilities more readily and meet new challenges with greater productivity and initiative.

**Recognition of performance**

One of the most positive things a firm can do to increase staff job satisfaction is to recognize individuals for outstanding performance. Recognition does not have to be public, nor does it have to be expensive. A partner giving an employee a “pat on the back,” a simple thank-you for a job well done, can have a tremendous impact on that employee’s attitude and loyalty to the firm. All too often, CPAs forget to reward positive performance; the old philosophy that “no news is good news” prevails. Firm partners should take every opportunity to reinforce positive performance. The benefits to the firm can be great. Regular and frequent feedback is particularly important to the latest generation of young professionals.

**Delegation and empowerment**

Leaders in accounting firms must be good delegators. Many supervisors believe it is easier just to do the job themselves, but there are not enough hours in the day to allow the firm’s partners to complete all that needs to be done. Delegation not only lightens the workloads of the firm’s partners, but it also allows staff to be challenged, provides job-enrichment, and prepares and trains staff to become firm leaders. Capable staff that are not empowered to make decisions, handle difficult work assignments, and develop relationships with clients may become unhappy with their job and leave the firm. But delegation, although it is for the betterment of the firm, is a difficult skill for many to master. Firm leaders must train, educate, and guide their employees, and trust that these empowered employees will do a good job. They cannot try to control them. Employees may not do the job in the same way that their mentors would have done it; however, that does not make what they do wrong. Also, it is important to realize that employees will make mistakes. That is part of the learning process. The leader’s job is to help them minimize their mistakes and learn from them.
Open communication

In order to maintain job satisfaction for any length of time, employees must feel free to communicate with management. It takes little effort to promote the firm as having an open-door policy, but it does require effort and sometimes patience to genuinely practice the policy. Employees need to be able to communicate their needs and problems openly and without fear of repercussions. The use of an employee survey as part of the firm’s strategic planning process should be considered. Some firms are now soliciting staff input on an ongoing basis to improve client service and firm administration. Other firms designate a mentor for each new staff member who helps facilitate communication with management. For open communication to truly exist in a firm, partners must be willing to hear the truth. The truth may not always be pleasant but hearing and accepting the truth will often make the firm stronger.

Information about the firm

From a staff perspective, some firms appear to operate under a veil of secrecy. Many firms do not disseminate financial information to the staff, or even provide more general information such as firm goals and plans for the future. Since communication is one of the top reasons that employees leave a firm, not communicating with all employees should be reconsidered.

While it is necessary to maintain confidentiality in areas such as partner compensation, certain other firm information can and should be communicated to the staff. The staff will perceive it as a demonstration of trust. Just as a firm invests in its staff, its staff members also invest in the firm’s future by working to achieve firm profitability and to eventually become partners. The staff wants to know what is going on and how it will impact their jobs. As a result, those staff members deserve to be told basic information that will allow them to have some degree of security about the firm’s financial stability. Firms should share as much financial and other information with the staff as possible. At a minimum, the staff should be told whether the firm is profitable and whether there are opportunities for growth in the future. Additionally, the staff should know about the firm’s strategic plan and how each individual contributes to the firm’s plan. The firm’s most talented staff will usually choose to leave the firm at some point if a career path is not apparent.

Just as a firm invests in its staff, its staff members also invest in the firm’s future by working to achieve firm profitability and to eventually become partners.
DIGITAL TRANSFORMATION

Today, tax and accounting firms cannot ignore the fact that the business world is growing more and more paperless. Going paperless really means going digital by converting physical data to digital formats. When the term paperless was first used, it meant converting documents from paper to electronic files—getting rid of the paper, the storage cabinets, the file room, the offsite storage facilities, and the file clerks. Today, a lot more than just documents, and paper are being digitized. The digital environment encompasses all the elements that contribute to creating, using, and managing many kinds of data in a digital format.

Because of the complexity and costs involved, a complete discussion on creating a roadmap for digital transformation is beyond the scope of this whitepaper. The following highlights some of the more important advantages, disadvantages, and issues with which a firm just beginning to consider going paperless should be familiar, including the digital resources needed for an effective knowledge management process.

DIGITAL ENVIRONMENT ADVANTAGES

The primary advantage to transitioning to a digital environment is the increased efficiency and effectiveness the firm can expect to gain through improvements in the way digital files can be accessed, organized, secured, and stored.

Access - Paper files can be viewed only by the person with physical access to them. If a person is not in physical possession of a file, they must get physical access either through manual physical pickup or delivery, through a mail or shipping service, or by a fax machine, all of which take time and can cost money. With digital files, anyone with authorized access to the network can access the files, and if the firm has remote access through the internet, files can be accessed from a remote site, such as a home, another office, or delivered electronically via email or a portal. And unlike paper files, multiple staff members can access the same file on the network at the same time to work collaboratively.

Organization - A digital file is stored on the network in an electronic format, where standardized naming conventions and directory structures are used to create a file structure similar to the firm's file room. This structure makes it easy to create, save, locate, and use a file without having to physically retrieve it. Most firms utilize either a client number or client name sequence to organize directories on their network, with sub-directories for different types of work codes and supporting documents such as tax, audit, and correspondence. While firm personnel often determine the file name and location when they are saving files such as word processing documents or spreadsheets, other applications may mandate the file name and network directory where these files are automatically stored so they can be easily and quickly accessed by the application's own indexing and organization system.

Digital tools facilitate electronic searches of the entire network for a specific file, or even a specific word within that file. A misplaced paper file can reside anywhere within or outside the office and even be discarded, and the only way to find it is to look in every possible location or have others assist in the search. Even with help, there is no way to be sure that every possible location has been searched. With digital search tools, the person looking for the file can determine specific directories, file names, types of files, and date ranges for when the file could have been created. Automated tools from Microsoft Windows Explorer, Adobe, and Google will also search every word within every document that they can access. In addition, for firms using a document management application, key words can be indexed whenever a file is saved allowing for immediate search capabilities. Many of today's document management systems can also save multiple versions of a file so the user can determine specifically which previous version of a document they are looking for.
Security - Whereas paper files can be easily misplaced, stolen, or damaged due to fire, flood, or other natural disasters, digital files reside on the firm’s computer system where they can be backed up and secured offsite. In the event of a total loss of a CPA firm’s office or computer system, these data files can be restored to a new computer system. With today’s system logons and passwords, firms can also limit access to those who are authorized to use specific files and even specific directories within the network. It is much more difficult to limit access to paper files, especially those stored in a physical file room that is not locked. In addition, today’s document management systems can keep an audit trail of specific individuals who access each file and maintain previous versions of these documents in the event the accountant needs to go back to an older version.

Storage - Physical file folders and their contents take up a significant amount of storage space, causing many firms to maintain offsite storage facilities. It can be expensive to rent secure storage space. Additional costs are incurred for the personnel time and transportation required to retrieve the files, which is dependent on when the offsite storage is open for business and how far it is located from the office. Digital files are available at any time as long as the user has access to a connected computer and is authorized to view those files. These files can be transferred quickly through electronic means if the firm has remote access tools and proper bandwidth through the internet. Digital files take up significantly less physical space, as they are stored within the firm’s file servers and data drives or externally in the cloud. In addition, only a small amount of space is required to store backups of these files, which can be stored on physical media such as data backup drives or DVDs; or backed up to hard drives in other locations. Unlike paper files, properly backed up digital files are easily and quickly restored in the event of loss or damage.

Digital transformation process
The transition to the “less paper” environment entails much more than just installing a document management program and scanning paper files. Firms should re-evaluate their current production processes and determine at what point new information that the firm must manage is received and how that data can be captured electronically. In addition to paper documents that must be converted to digital formats, transitioning requires considering information that is also provided by fax machine, phone, email, text messages, portals, and delivery on digital media such as USB flash drives and CDs/DVDs. Security experts recommend firms not use physical media due to malware concerns and, instead, recommend firms use web-based portals or secure email solutions.

Selecting which production processes to digitize and automate
The firm should consider automating processes wherever possible to capture data electronically into the firm’s digital file standards. A trusted technology partner, like the Thomson Reuters Professional Services team, can provide a thorough overview of the latest best practices in the profession to help you get the most out of your tools along with product implementation programs to ensure you get off to the best start with new software and processes.
**DOCUMENT MANAGEMENT SYSTEMS**

For medium and larger sized firms, managing documents using Windows Explorer and network directories is becoming increasingly more difficult because all firm personnel must strictly adhere to firm standards for naming files, directories, and folders, and the files must be consistently saved in the appropriate place. Unfortunately, in the rush to complete projects and deliver them to clients, firm personnel do not always adhere to these standards, which may lead to lost files, version control issues, and difficulty in adhering to a firm document retention schedule. For effective document management, a majority of accounting firms today might consider a dedicated document management system that can promote standardization of the firm’s document naming conventions and document archival.

When evaluating document management systems, one of the primary criteria should be the ease with which the firm’s tax, audit, and correspondence files can be archived, managed, and searched. This is usually accomplished with natively integrated applications that automatically port to the document management system with the appropriate directory and naming convention. Many of today’s tax applications automatically identify documents with a client number, client name, year of return, type of return, default document destruction date, and format (i.e., PDF) when they are sent to the document management system.

A primary advantage of an integrated document management system is that it does not rely on the preparer for document identification information, thereby creating a more reliable document identification process. Firms should also evaluate the ease with which they can store files from applications such as spreadsheets and word processing, as well as documents generated from “printing” a PDF/digital file directly into the system. Also, of particular interest today are features that integrate with the production of tax returns and organizers, as well as provide the ability to easily save files from email attachments and client portals. This should be considered an important feature when selecting a document management system.

**PORTALS**

With increased concerns over security and privacy in today’s business environment, many firms are using client portals (along with secure encrypted email) to facilitate the speedy transfer, storage, and retrieval of sensitive client files and documents. A portal is effectively a secure pipeline between the client and the firm, which is generally available 24/7 through any internet-connected device. Clients log on to a password protected application that opens a file drawer on the firm’s network [located either physically at the firm or on remote servers stored at an internet-based Application Service Provider (ASP)] where both the portal and the client can upload, download, copy, and paste digital documents. While many email systems have limitations on the size of attachments, client portals can handle virtually any size file as long as the firm has adequate storage space available. This feature is ideal for transferring very large digital (PDF) files or accounting files such as those created by client accounting systems such as QuickBooks and Sage.

Most portal applications are natively integrated with the firm’s document management system, thus allowing the firm to move files into the document management system directly from the portal as well as allowing clients to view and access authorized files with a minimal amount of additional training. When evaluating portals, some of the features that firms should consider are the ease with which the portal can be provisioned for a single client and a client with multiple entities, as well as the notification and audit trail features of the portal. For security and control purposes, the higher-end database systems have the capability of notifying designated firm personnel whenever there has been any client activity within the portal. The latest portals also allow firms to provide “request” lists for needed documents and monitor status within a digital dashboard and workflow application.
Many firms are using portals for obtaining, storing, and delivering tax returns, organizers, and invoices to their clients. State and federal regulations that restrict sending tax returns via email make the use of portals even more essential to a tax practitioner. The use of this technology will not only result in a significant enhancement in protecting and securing client information but should also result in an immediate reduction in costs associated with processing, preparing, printing, paper and printer supplies, and overnight delivery and postage costs.

Upgrading your tech stack with a digital document management solution and portals for clients will also help retain staff by offering them an opportunity to work with cutting edge software.

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A NOTE ON CYBERSECURITY: RISKS AND OPPORTUNITIES

Cybersecurity threats and security breaches are too frequently in the headlines. As businesses increasingly rely on technology, markets for products and services have gone global, cyber threats are more sophisticated and aggressive, and risks are increasing. Tax and accounting firms must keep up with technology, and the firm’s response to technological innovations should be included in the strategic plan.

Trends that relate to technology can be discussed at the planning sessions, and the firm's vision should include how it will do business in terms of technology. If technology consultants are used in the planning process, they can help the firm assess its current and future use of technology. Once it is decided where the firm wants to be technologically in the future, consultants or technology partners can explain the options for getting there.

Cybersecurity threats pose risks to tax and accounting firms themselves and to their clients. The cybersecurity threats posed to clients provide client service opportunities for CPA firms. CPA firms can help clients understand and manage cybersecurity risks because they understand their clients’ businesses, are specialists in risk assessment and implementation of internal controls, and regularly handle clients’ sensitive information and can make recommendations about controls over data security.

**Cybersecurity policies and practices** every CPA firm should consider for themselves, and potentially recommend to their clients, include: (1) an overall risk assessment and periodic reassessment of security measures; (2) identification of sensitive data and where it is held; (3) requiring that passwords be strong and protected, keeping operating software updated and secure; (4) having a security monitoring and alert system in house or outsourced to specialists; and (5) developing backups and a continuity plan. Employees should be trained on IT security policies, the number of IT administrators should be limited, and outside parties that support the firm should be held responsible for cybersecurity through contracts and annual compliance reporting. Firms need an incident response plan that includes recovering from an event and communicating with all affected parties.

Additional benefits of digital transformation related to information security include automatic updates to software for proactive protection from malware and greater security due to cloud-provider’s offsite, closed campus facilities.
RETAINING EXISTING CLIENTS

Strategic planning should not overlook existing clients. It is easier to keep an existing client than it is to obtain a new one. Before actively trying to expand its practice, your firm should first make sure that it is providing the best possible service to its existing clients. Some firms do not realize, however, that it takes a certain amount of effort to retain existing clients. A firm needs to do more than just deliver the audit report or tax return on time each year. Most clients expect their CPAs to anticipate their needs and to provide a certain amount of assistance throughout the year. In order to do this, CPAs must understand their clients and their clients’ industries and be aware when at client’s needs have changed. Identifying clients’ needs and routinely offering advice and suggestions for improving the clients’ business and financial position is at the heart of an effective marketing program.

To retain existing clients, an accounting firm must ensure that its clients are satisfied in each of the areas discussed in the previous paragraph. In order to plan and monitor client satisfaction with the firm’s services, the following client service activities should be performed:

- Develop a client service strategy for each key client.
- Periodically monitor each client’s satisfaction with the firm’s service.
- Monitor client satisfaction and staff capabilities by performing a lost client analysis.

Surveys have shown that the most significant reason clients change CPAs is because of the client’s perceived lack of attention from his or her CPA. Therefore, maintaining a close client relationship is key to retention, along with offering the new advisory services clients need.

DEVELOPING A CLIENT SERVICE STRATEGY

Some clients are large, and some are small. Some clients refer a lot of business to the firm and others refer none. It is tempting to conclude that all clients are important regardless of their size and other factors, and that the firm should therefore treat all clients the same. However, this is not practical, nor is it necessary.

Most firms derive a large percentage of their fee income from a small percentage of their clients. It is not unusual, for example, for a firm to derive 80% of its fee income from 20% of its clients. Obviously, there may not be enough hours in the day, and it is not cost-effective for a firm to keep all of its clients happy all the time. A firm should guarantee, however, that it keeps its important clients satisfied at all times.

The first step in developing a client service strategy is to identify the clients that are crucial to the firm’s success. Most of the firm’s client retention efforts should then be directed toward those important clients.

One way to ensure that important clients remain satisfied with a firm’s services is to use client service teams. Under this approach, a client service team is formed for each important client. Each team should be led by a partner or experienced manager. Depending on the nature of the services the firm provides for the client, a team may include tax representatives, accounting and audit specialists, and/or one or more consultants. Each team is charged with coordinating all contact with an important client and brainstorming to develop proactive service strategies. The team makes sure that tax returns are prepared on time, that audit and other reports are issued in a timely manner, and that other engagements are completed to the client’s satisfaction. The team should also anticipate the client’s needs, inform the client on the value-added services the firm can provide, and sell additional firm services that may be appropriate.
EXPAND YOUR FIRM’S PRACTICE TO INCLUDE ADVISORY

Accounting firms are devoting more and more time to performing consulting and other nontraditional services. This is due to a number of factors such as the competitiveness of the audit practice area, a reduction in demand for routine tax compliance services (in part because of the availability of inexpensive consumer tax preparation software), and the push toward “one-stop-shopping.” As a result, accounting firms are now providing services they may have not considered in the past or may not have even identified as accounting firm services until recently.

Your firm may have a desire to grow into a new, larger role for your clients. Industry experts predict that 78% of finance processes can be automated, leading to reduced revenue. Meanwhile, advisory services have emerged as in demand and highly profitable.

The evolution of tax and accounting software tools combined with the new ways of working forced by the COVID-19 pandemic have made it possible to automate processes and meet modern client expectations while giving time back to your staff that they can then spend on more meaningful work, training, or better work/life balance. Any loss of revenue due to automation and the ensuing time savings can be made up by offering highly profitable advisory services, which after all, is what your staff were trained to do.

While cloud-native and API-enabled products allow for automation, Thomson Reuters® Practice Forward was designed to leverage the efficiencies created by automation to create the big-picture strategy needed to drive your firm’s profitability and success. This means your firm can identify the right advisory services to offer – that your clients actually want – and apply a value-based pricing model, while also putting the right team members in place to handle day-to-day routine tasks.

Framing the advisory opportunity in a conversation with clients can prove awkward. With existing relationships often focused on compliance issues, there isn’t always a natural opening to present the benefits of having your firm serve as a trusted advisor. Practice Forward offers a way to open the door to advisory and enter these deeper, consultative conversations.

“It draws the line as to what services will be provided within an engagement, everything else outside of scope becomes an advisory offering,” says Louis DeLuca, CPA, MST and partner with Friedman & Huey Associates. “It eases the transition into an advisory role with clients when you didn’t know how to start in the past. Advisory engagements often include what we normally did in the past, but we were not recognizing and pricing properly for those services.”

Practice Forward comes with content and tools, coaching, consulting, and other concrete methods for practitioners, allowing them to become comfortable developing and maintaining this enhanced relationship with clients. Instead of looking back, the opportunity to look ahead with a focus on advisory is nurtured.

CONCLUSION

Even with our world beginning to return to normalcy, tax compliance, accounting, and audits are as complicated as ever. Taking the time to prepare a strategic plan for 2022 will result in the long-range vision your firm needs to effectively guide and direct practice management decisions and allow you to solve any challenges with a renewed sense of confidence.
RECOMMENDED PRODUCTS

**Checkpoint Edge**
Get instant access to the editorial expertise and resources that informed this whitepaper in [Checkpoint® Edge](#), an innovative, intelligent tax and accounting research and guidance tool.

**Practice Forward**
Following a market-proven roadmap, [Practice Forward](#) navigates tax firms down the path of developing and implementing an advisory services approach to engaging clients with tools and customized coaching designed to enhance your firm's advisory services and strengthen client relationships.

**GoFileRoom**
It's time to banish paper files and storage fees. [Thomson Reuters GoFileRoom](#) is cloud-based electronic document storage software designed for tax and accounting professionals, offering an arsenal of features to give your firm 24/7 access to document storage in the cloud.

**Cloud Audit Suite**
Confidently complete audits with the [Thomson Reuters Cloud Audit Suite](#), an end-to-end solution providing accuracy and efficiency throughout the audit process. A suite of tools, including the only true confirmation service and integration with third-party data analytics. Work from anywhere, collaborate with colleagues in real time, and securely access your audit data.

**Professional Services**
Get the most out of your Thomson Reuters® Tax & Accounting Software with our expert [Professional Services](#) team, ready to assist with technology conversions and process consulting to improve firm efficiencies and help your firm get the most out of your tools.