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Insights for Tax Professionals 2021:

What does success look like in our new world?

Executive Summary

Tax professionals and their clients have been heavily disrupted by COVID-19, but consistent with other industries, the lasting impacts are both positive and negative.

The fundamental shift is that the ability to ‘work virtually’ has been proven. For those who have the supporting technology and processes in place, it works as effectively, if not more effectively, than being in the office. This brings a host of new opportunities – the ability to scale back office space, to hire talent – or search for new clients – beyond the usual geographic limitations and to offer a more flexible employee experience, that fits around the individual, not the work location.

The strategic priorities that tax professionals had in sight for 2020 had to change when the pandemic hit. Prior to COVID-19, many tax firms were looking for growth, to win new clients, broaden services, hire new people, all with a view to increasing revenue. At the same time, many firms were looking to drive efficiencies through streamlining and automating processes and better leveraging technology. They were looking to upskill their existing people to adapt to these new ways of working and have the capabilities to offer these additional services. And many were looking to raise standards when it came to client service – as this is the area where most firms feel they can differentiate themselves from competitors.

Since the pandemic set in, there has been a shift to **survival**. And this has come in two forms.

- 1 **Transitioning to effective virtual working**, both in terms of office location and when interacting with clients.
- 2 **Managing cash flow** as many clients were struggling to stay in business. Tax professionals have had to help their clients adapt, take advantage of government support, comply with legal changes, and plan taxes moving forwards – all while meeting challenging deadlines.

One of the qualities tax advisors cite as separating the best advisors from the rest, is to empathize with clients, supporting them through the challenges they face.



During COVID-19, this has meant huge drops in revenue for some clients and surges for others. For most clients, this has been far from a normal period – which means changes in their strategies towards tax.

As tax professionals look forward to 2021, there is a desire to return to some sort of normality. The data reveals firms are, once again, seeking growth. But in many ways this experience has been a successful experiment – proving that people can adapt to new ways of working when forced. Historical investment in market leading technology, process re-engineering, and supportive training has been validated. And for those that didn't invest, they have been left wanting. Now that eyes have been opened, change will come at a much faster rate. This has the effect of freeing up previous limitations, thereby expanding peoples' aspirations for what the future might hold.

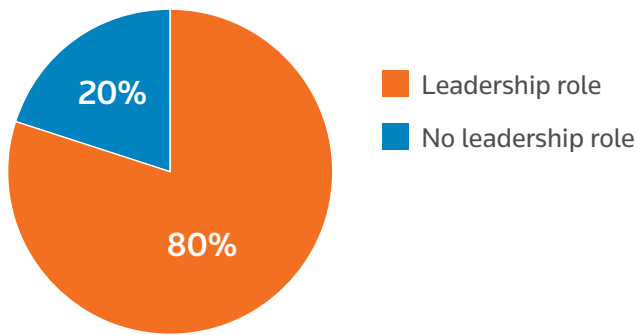
A majority of tax professionals agree that tax advisors need to become more rounded business advisors – in fact, many have had to step up to do this through this disruptive year. As more firms adopt more modern ways of working, streamlined processes and automation will become hygiene factors – must-haves to compete effectively. Then the route to differentiation comes back to client service. And what better way to differentiate than being a trusted advisor, that clients rely on. But 41% of senior tax professionals are not fully confident in adopting this approach – something that firms would be wise to invest in changing.

Methodology

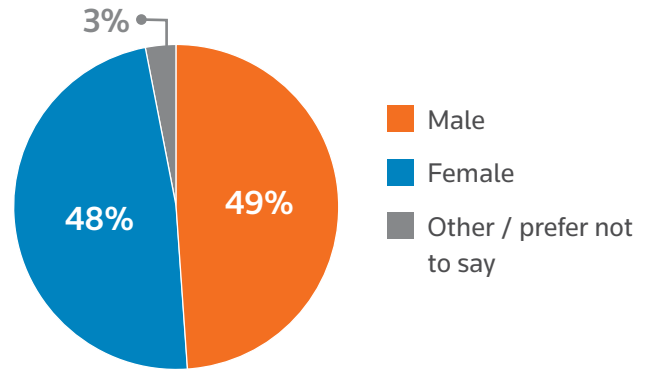
In October 2020, Acritas, part of Thomson Reuters®, distributed a web survey to tax professionals across the US. 205 responded. The sample breaks down as follows:

The individuals we spoke to

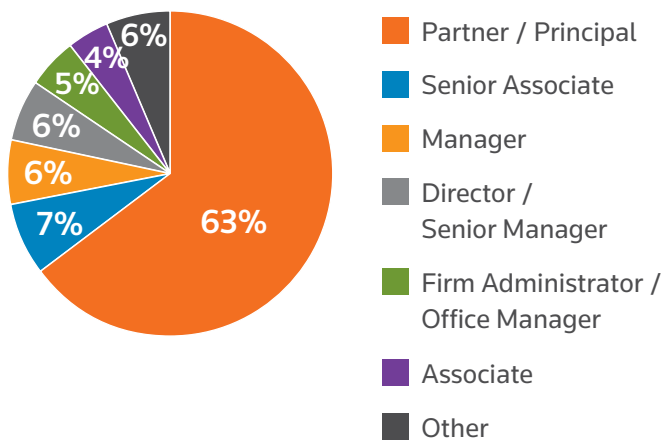
80% had leadership roles.



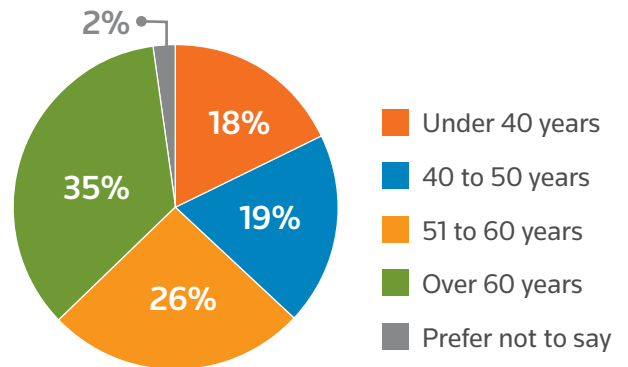
49% were male and 48% female, with the remainder falling into other or not stating.



Their specific roles varied with a majority falling into the Partner/Principal position.

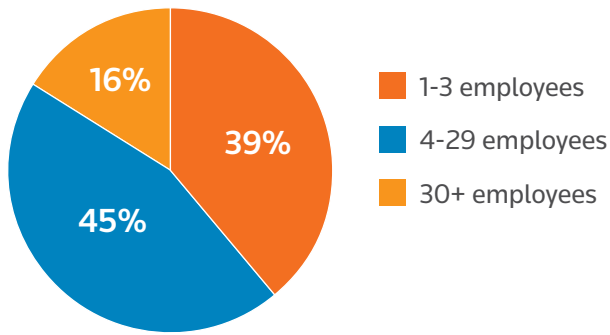


From an age perspective, 18% fell under 40, 19% 40-50, 26% 51-60, and 35% over 60 years old.

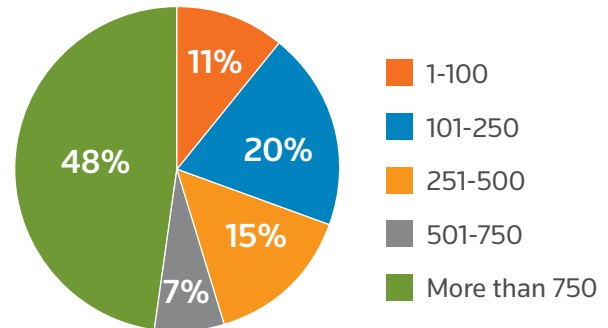


The firms they represent

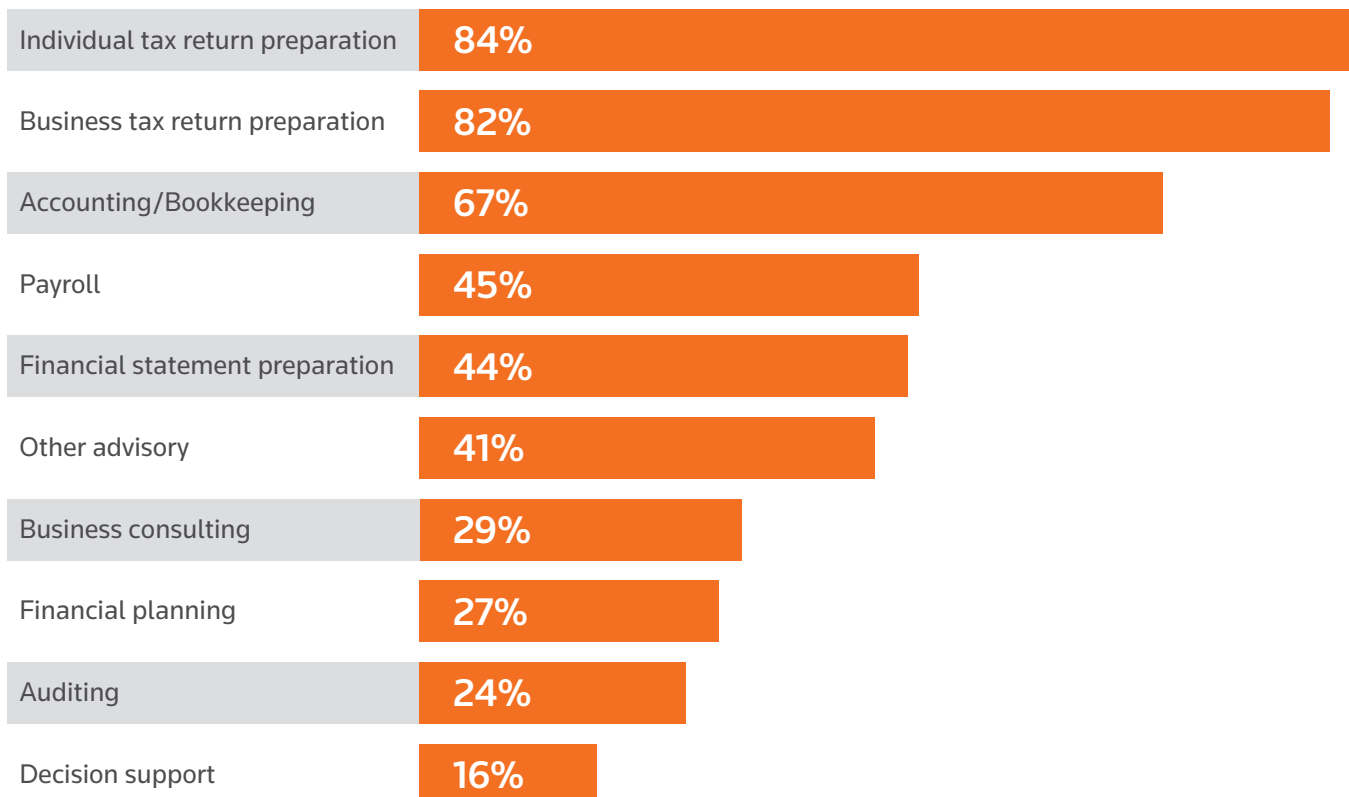
Thirty-nine percent were from small firms (1-3 employees), just under half – 45% – were from mid-sized firms (4-29 employees), and 16% were from larger firms (30+ employees).



The number of tax returns handled varied with nearly half processing more than 750 per annum.



Most firms offered multiple types of services, with 84% offering individual tax returns and 82% business tax returns. Sixty-seven percent offered general accounting/bookkeeping services, 45% payroll services, and 44% financial statement preparation. Only 29% offered business consulting services.



Section 1 – Strategic Priorities

2020 PRIOR TO COVID-19

Before the pandemic set in, Tax advisors' strategic priorities centered on four main themes:

- 1 **Growth** – increasing revenue and attracting new clients
- 2 **Talent** – attracting new people, developing and retaining existing people
- 3 **Efficiency** – streamlining processes and leveraging technology with a view to increasing productivity
- 4 **Client service** – more effective communication, meeting deadlines, a more personable approach, and more rounded business advice

“Continued growth for firm and team members, additional location debut, great organization, and streamline of network and processes.”

NEXT 1-3 MONTHS (to end January 2021)

Once the lockdowns started in the US, tax firms and their clients became heavily disrupted. The immediate shift to virtual working, both in terms of employees working remotely and virtual meetings with clients had variable impacts depending how 'remote ready' practices were. But in addition to this, clients' revenue and cash flow were often heavily impacted – some up but more down, there was government support to navigate, tax changes to comply with, and the general emotional support both clients and employees needed through this difficult time. Workload was up, along with anxiety.

For the next 1-3 months, priorities will be:

- **Survival** – cash flow, getting through the work volume on time and complying with COVID-19 regulations
- **Planning for the year ahead with clients and for the practice** – start to put in place hiring plans, training requirements, and efficiency initiatives

“Complete the extended tax season and help my clients survive.”

Strategic Priority	Pre-COVID-19	Next Quarter	2021
1. Drive efficiency	34%	18%	24%
2. Talent	27%	23%	18%
3. Grow	22%	10%	17%
4. Client service	13%	9%	11%
5. Deliver tax / planning	7%	31%	8%
6. Adapt to COVID-19	5%	14%	15%

LOOKING AHEAD FOR 2021

In 2021, tax professionals expect to return to a more normal working environment and a return to some of the strategic priorities they had in mind for 2020. However, these priorities have been modernized to reflect the experiences of working through the pandemic and adapting to the new world.

- **Growth** – more clients, more revenue
- **Talent** – recruit more people, develop people, and accommodate remote working
- **Efficiency** – more streamlined processes, productive, move through work faster, invest in the right technology
- **Client service** – an effective virtual service

“In 2021, tax professionals expect to return to a more normal working environment and a return to some of the strategic priorities they had in mind for 2020.”

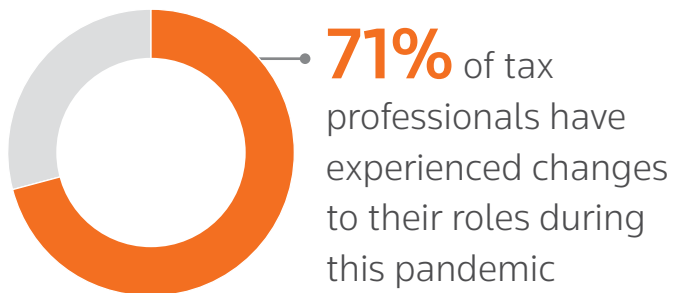
“Improving client interaction, work process, and efficiency of using onsite and remote staff.”

“Making investments in additional technologies part of our streamlined process.”

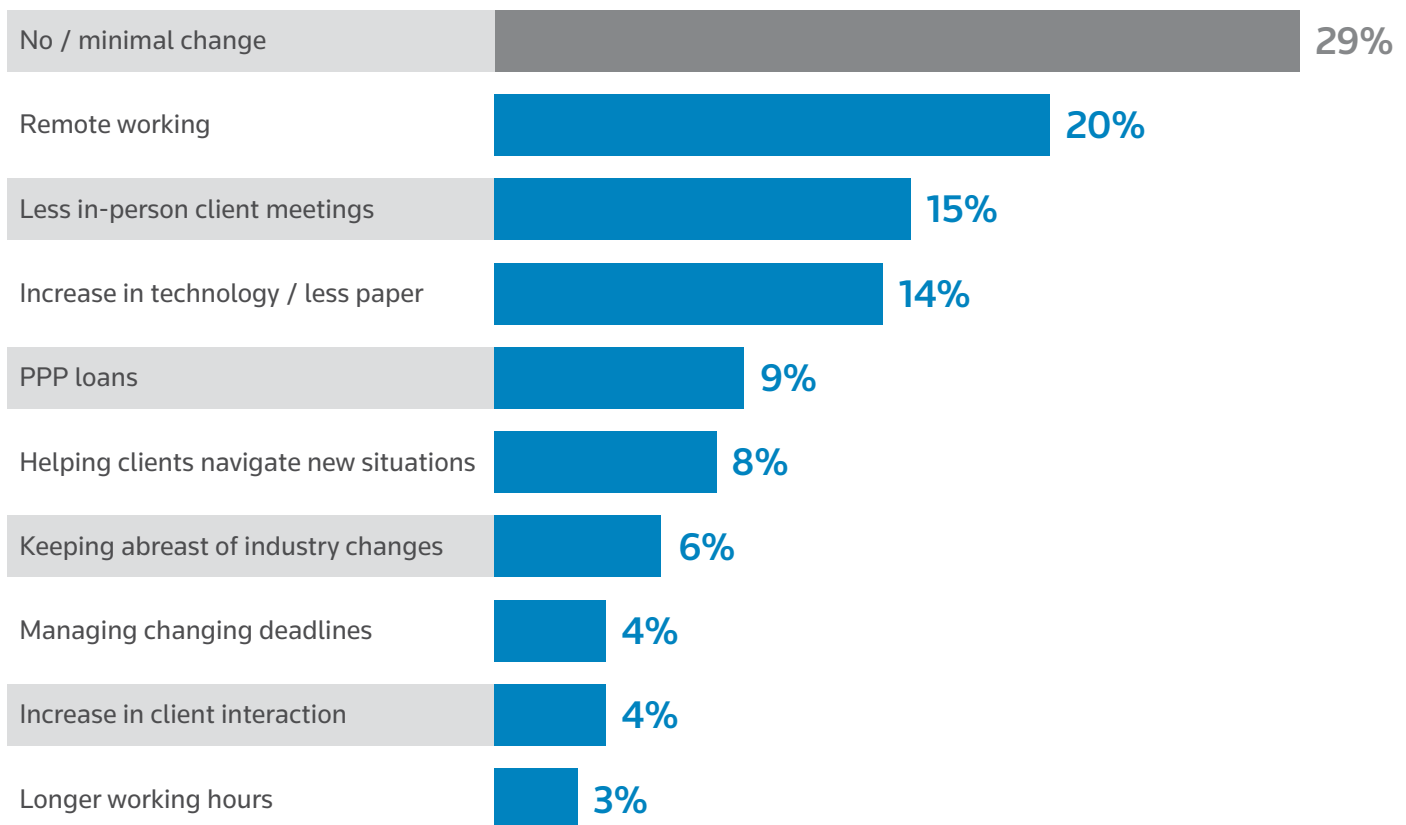


Section 2 – Impact of COVID-19 on People and Practices

CHANGES TO SHORT-TERM ROLE REQUIREMENTS



The biggest change is the shift to remote working for many, followed by a reduced number of client meetings. COVID-19 has increased reliance on tech and decreased the use of paper. Many firms are now dealing with PPP loans and generally helping their clients navigate new, often challenging, market dynamics. Tax professionals are having to keep up with tax industry changes, meet moving deadlines, and generally give more support to their clients – albeit virtually.

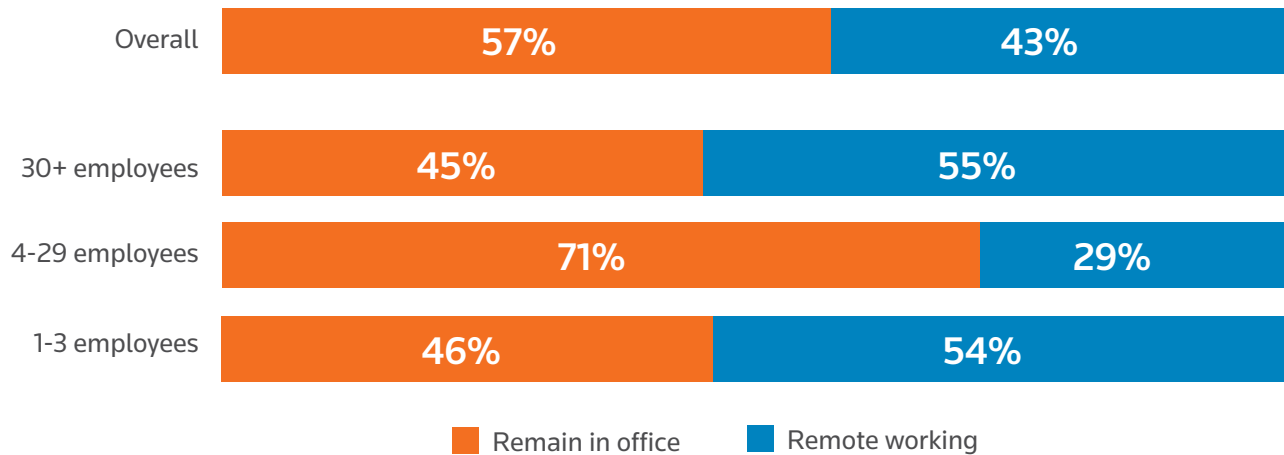


SHIFT TO REMOTE WORKING

At the first peak of the pandemic, 43% of tax professionals were working remotely most, or all, of the time.

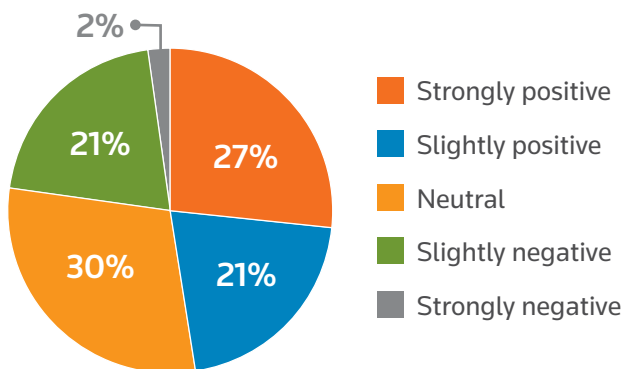
This varied by size – with those in practices with 4-29 employees least likely to be working from home (29%).

Perhaps those with 1-3 employees found it easier to decamp to their home premises and larger companies were more alert to the risks of high-volume workplaces.



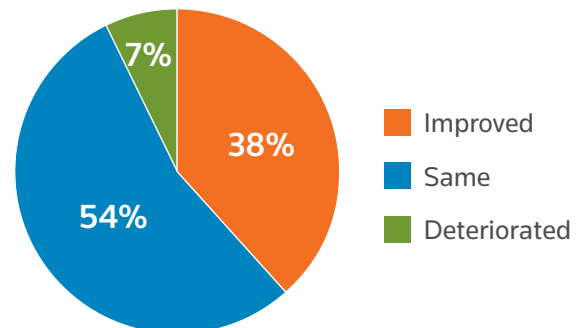
Remote working – impact on wellbeing

Of those who have been remote working most of the time, 48% feel a positive impact on their wellbeing compared to 23% who feel a negative impact (the rest the same).



Remote working – impact on working practices

Of those that have been remote working most of the time, 38% feel their working practices have improved, compared to just 7% who think they have deteriorated (the rest the same) – the proportion saying increased was even higher among those who rated their tech the most highly (48%).



Thirty-seven percent of those that felt working practices had improved through remote working said practices had become more efficient. Thirty-three percent talked about a greater use of technology.

For some, however, downsides included the expectation to be available constantly and finding collaboration more difficult.

LASTING POSITIVE IMPACTS ON TAX INDUSTRY WORKING PRACTICES

Looking ahead, 89% of tax professionals could identify lasting positive impacts as a result of the pandemic.

Forty-one percent talked about greater use of technology, becoming an urgent requirement for those that hadn't sufficiently invested until now. Ten percent also expected increased efficiency.

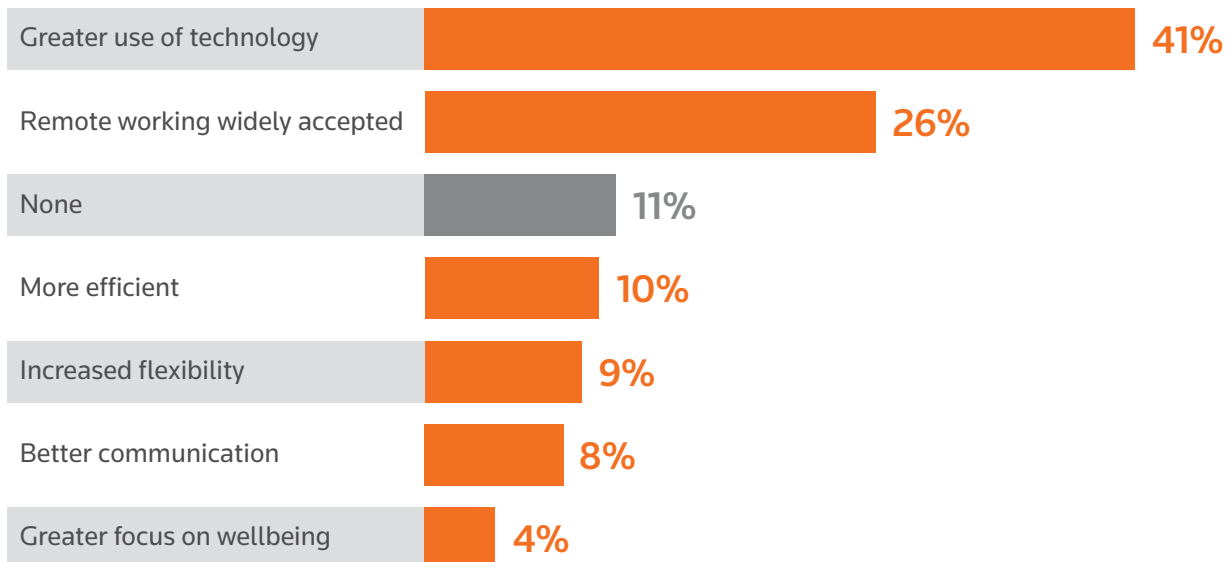
Just over a quarter referred to remote working now being an 'accepted practice', overcoming the previous need for presenteeism. Nine percent more are also expecting the flexibility to stay.

Additional responses included better communication. In an office environment, people can rely on catching up by the coffee machine or popping by someone's office. In a virtual world, collaboration has to be planned.

A small number also talked about a greater focus within the industry on wellbeing.

"...89% of tax professionals could identify lasting positive impacts as a result of the pandemic."

POSITIVE IMPACTS AS A RESULT OF THE PANDEMIC

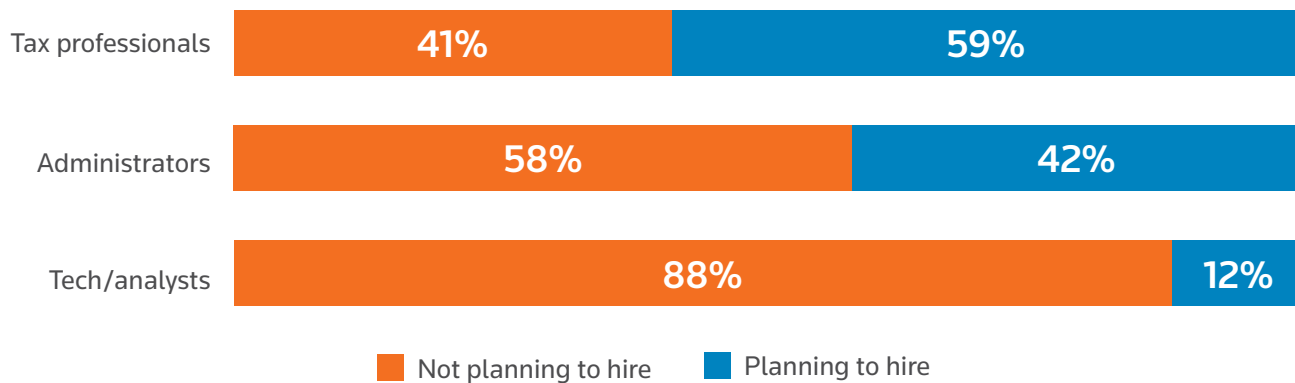


Section 3 – Talent

HIRING TALENT

Six in ten firms are looking to hire more tax advisors in 2021. These hires were aiming to help in two ways – increasing capacity and broadening service capabilities.

Four in ten firms are looking to hire more administrative resources and just one in ten were looking to hire more tech or analyst support.



Not surprisingly, these proportions were much higher among the larger companies.

Attracting talent is difficult because tax advisors are super loyal. The average tenure was 17 years and only 15% might consider leaving where they work.

“Attracting talent is difficult because tax advisors are super loyal.”

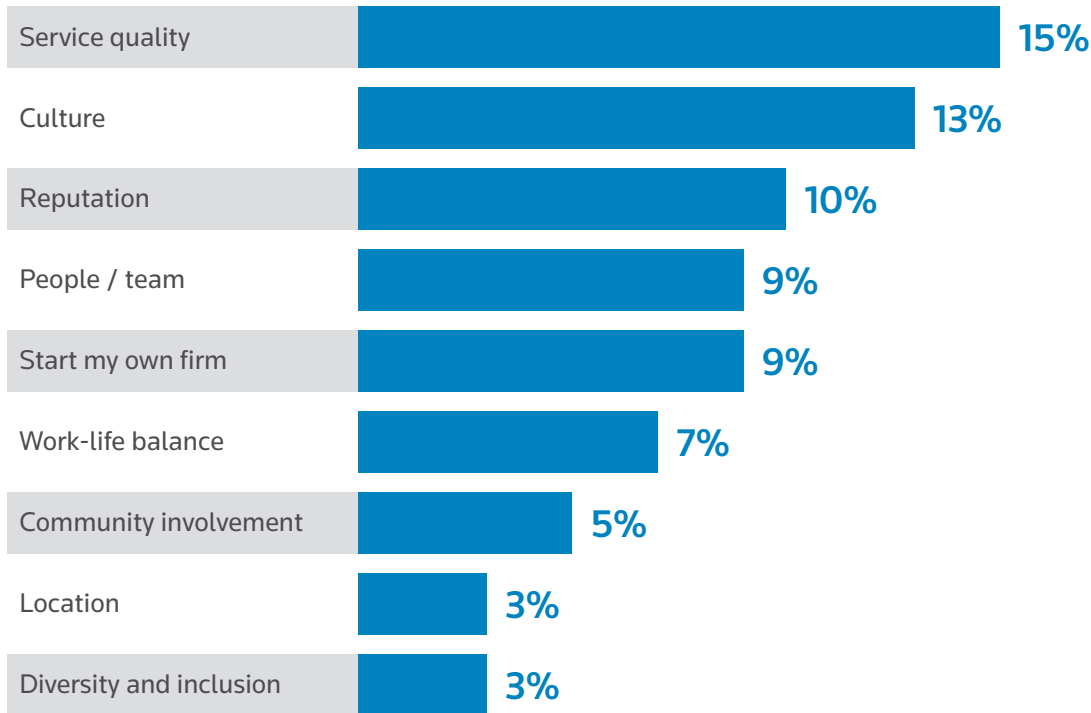
Those that would consider moving are attracted to firms for a variety of different reasons:

- Seeking greater independence/autonomy
- People they would be working alongside
- Firm’s culture
- Location
- Growth and progression opportunities
- Compensation/benefits package
- More industry focus
- Greater variety of work

For those who had moved to their current firm within the last three years, we can see how much the client proposition plays a role with 15% citing their reason for moving to the firm being the quality of the service they can offer and 10% citing the reputation of the firm. Thirteen percent referred to the working culture and 9% highlighted the people.

Nine percent had started their own firm and 7% had moved to find better work-life balance. A small proportion had been attracted to the community involvement and 3% had joined a firm for greater diversity and inclusion.

REASON TAX PROFESSIONAL MOVED TO CURRENT FIRM



DEVELOPING TALENT

Developing talent made the top ten strategic priorities for 2020 and looking ahead to 2021.

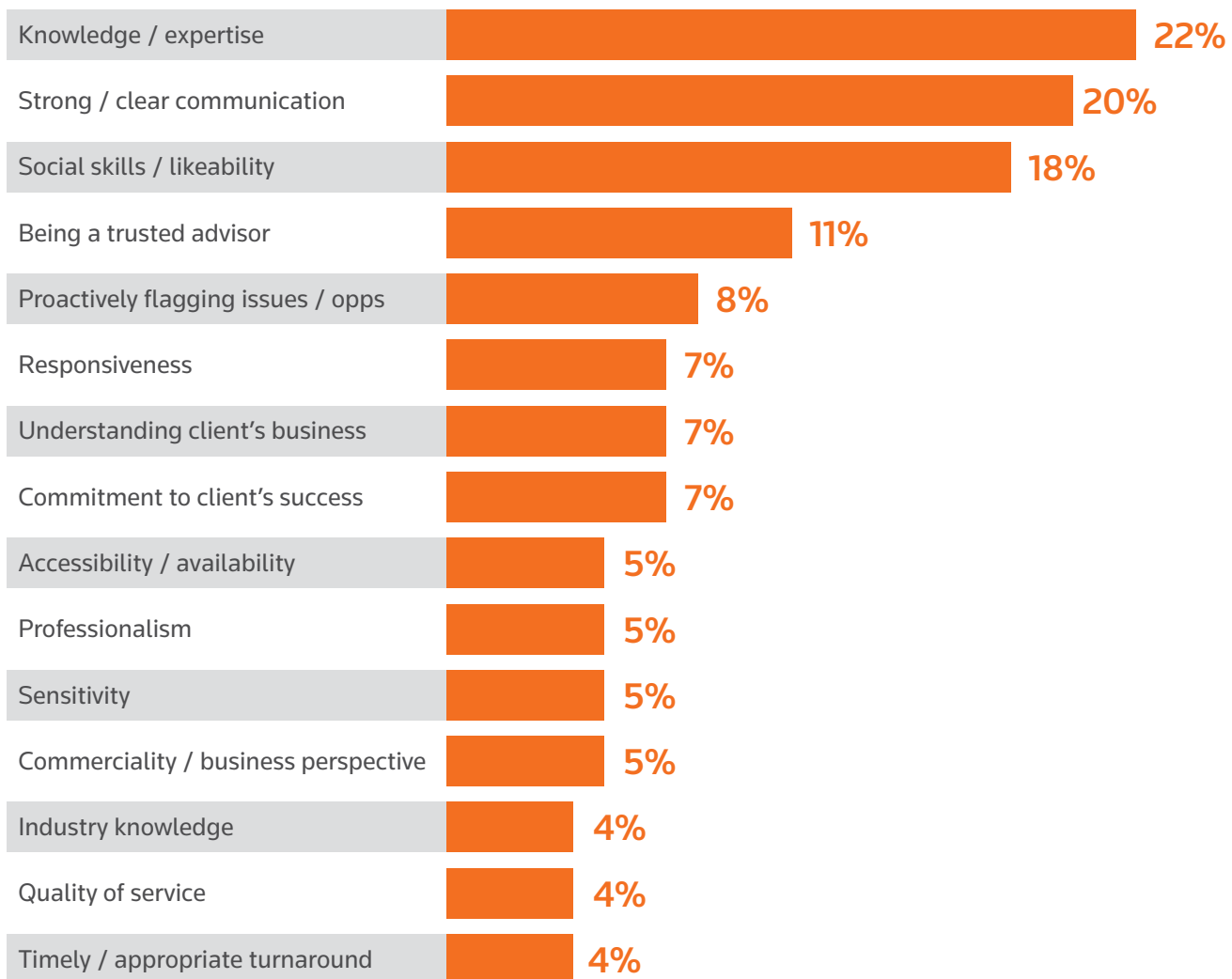
Respondents were asked what they believed made the best tax professionals stand out. More than 25 different qualities were cited.

Tax expertise not surprisingly came top but the next two were a surprise. The need for strong and clear

communication and having social skills – tax professionals often calling out the ability to show empathy for their clients.

How often are firms providing training and coaching support for how to communicate and interact with clients?

TOP 15 STAND-OUT QUALITIES



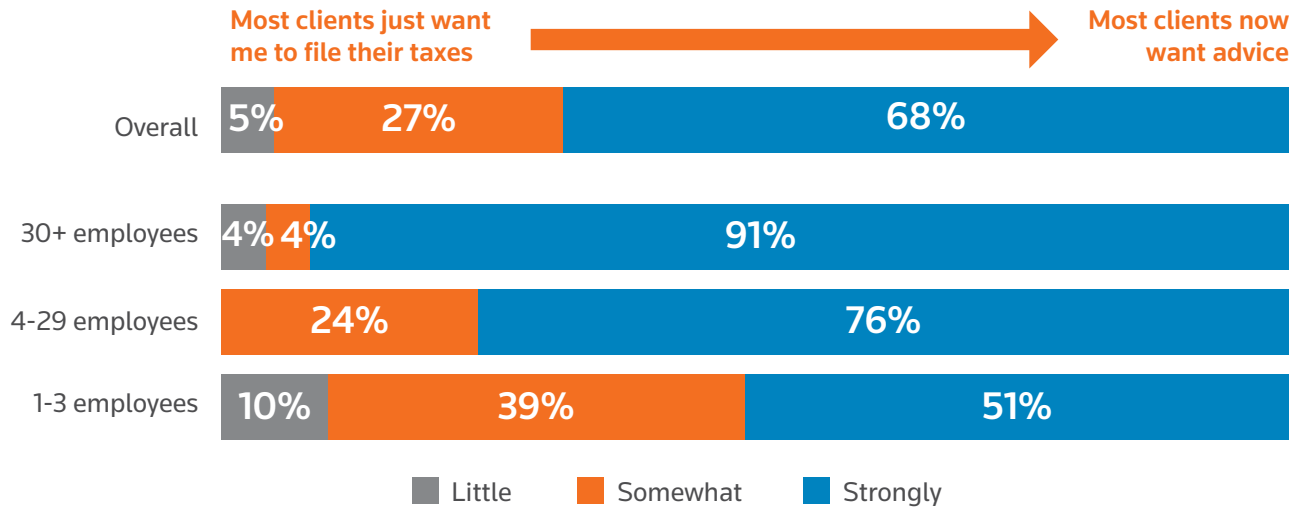
Business acumen is identified in a few different ways through the top qualities. Being a trusted advisor, understanding the client's business, commerciality/business perspective, and industry knowledge.

How often are firms investing in developing and maintaining business skills in their people?

PIVOTING TO BE BUSINESS ADVISORS

Ninety-five percent of tax professionals agree that their clients now want business advice from their tax advisors –

68% agreeing strongly and 27% somewhat agreeing. The larger the firm, the more likely they are to strongly agree.

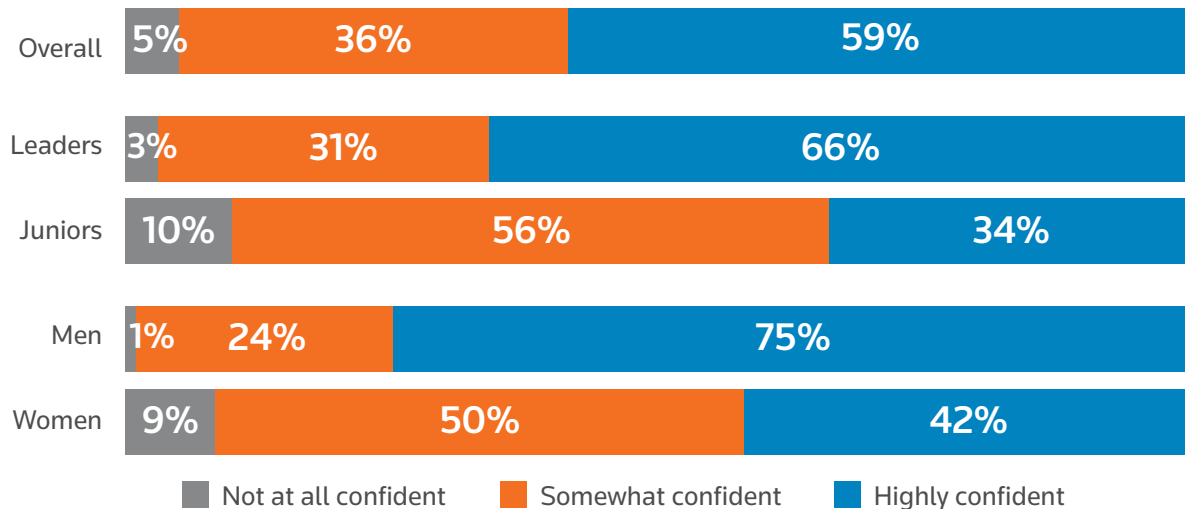


Unfortunately, only 59% are highly confident in giving business advice. Thirty-six percent classified themselves as 'somewhat confident' and 5% were not confident at all.

It was interesting to note that female and junior professionals were less likely to be highly confident. The inference of women in junior roles was higher, but even allowing for

this, the confidence was significantly lower for female tax professionals.

It has been shown in previous professional services studies, and anecdotally, that women often lack the confidence to take the next step, despite having the same knowledge or ability as their male counterparts.



Of the 41% who weren't highly confident, a third would turn to training and education to improve their confidence. People also talked about gaining more experience, particularly with clients and building industry knowledge. Mentoring was also cited as helpful.

Only 9% of tax professionals focus on one industry, a majority having clients across multiple industries.

CLIENT SERVICE

Service factors account for a third of the top 15 list of stand-out qualities, including communication, proactivity, accessibility, availability, and professionalism.

STANDING OUT AS A FIRM

Professional services firms are more able to differentiate themselves if their people consistently exhibit a consistent experience.

Twenty-one percent of tax professionals think their firms are differentiated by their client focus and a further 16% talk about the customer service.

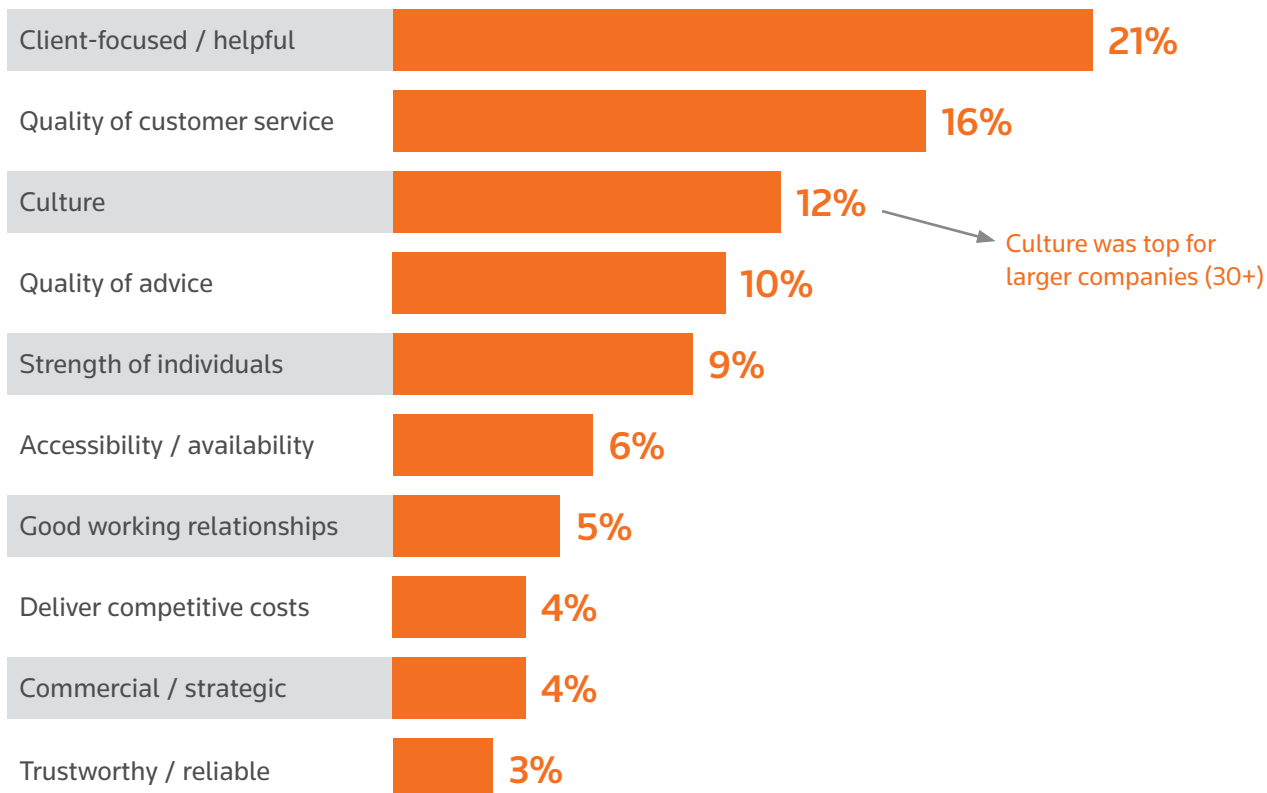
The chart below shows the top ten ways tax professionals believe their firms are differentiated.

It is interesting to note that only 4% believed their firm was differentiated by competitive costs. Perhaps this is a missed opportunity if firms can demonstrate higher levels of efficiency and can pass this on to clients. In our research with corporate tax clients, a desire for more competitive costs was the most requested improvement.

Are you investing in creating a set of defining qualities across your people?

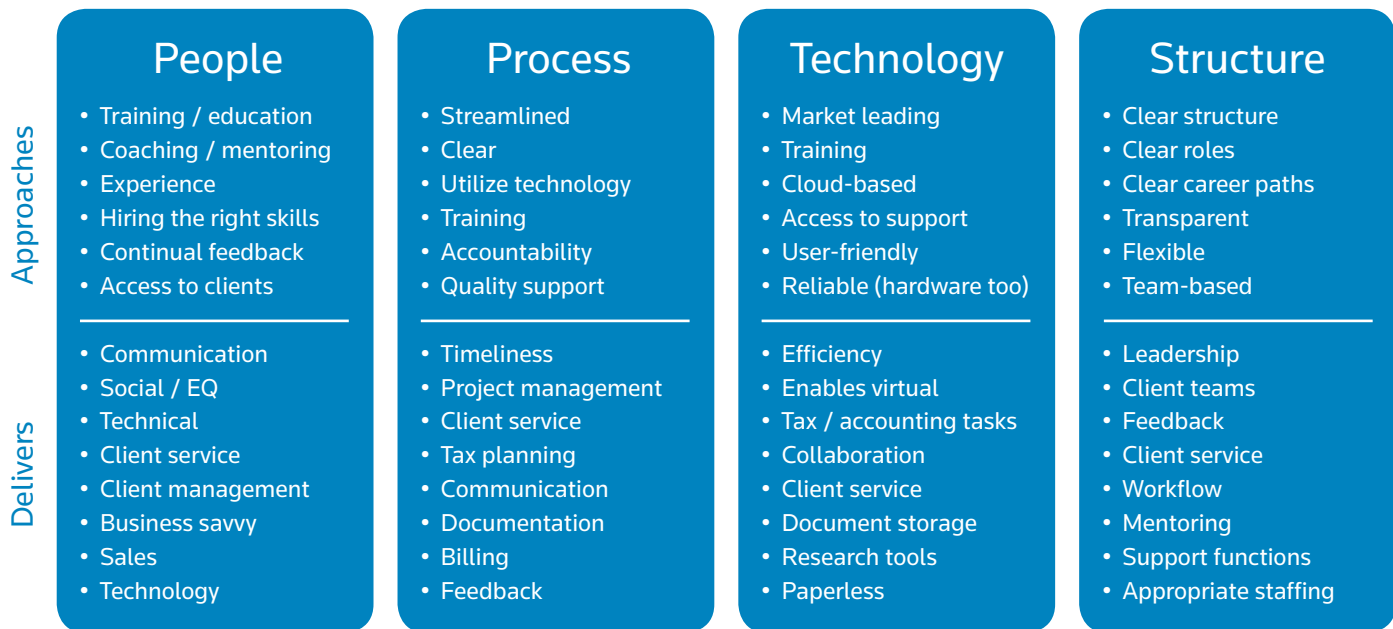
Are you agreeing on service standards with your clients in order to ensure you meet their expectations?

TOP 10 WAYS TAX PROFESSIONALS BELIEVE THEIR FIRMS ARE DIFFERENTIATED



Section 4 – Providing the Right Support Pillars for People to Perform

TALENT



Professional services advisors require effective support from their firms in order to continually develop throughout their careers and meet their full potential.

To provide the best possible service to clients, advisors need to be delivering to expectations for the level the client is paying for, and more, in order to engender loyalty.

Respondents were asked, within four categories, to share what they felt they needed in terms of support to be able to operate at the highest level. The categories were people, process, technology, and structure. The diagram above shows the most common responses in terms of the approaches to support and what the support needs to deliver in terms of outcomes.

PEOPLE

Continual education was the most important people support, combined with coaching/mentoring and on the job experience. Soft skills such as client communication and empathy were as important as technical skills. Business skills are increasingly important.

PROCESS

Processes need to be streamlined, clear, and utilize technology. Again, training played an important role, along with making people accountable for the parts they need to play. As always with professional services, quality support services are required to help the professional advisors.

Processes need to deliver a timely service to clients, enabled by effective project management. Client service needs to be optimized, incorporating effective communication.

TECHNOLOGY

Market leading, cloud-based technology was considered critical, with access to support and training. The technology needs to be user-friendly and reliable.

The technology needs to enable greater efficiency, virtual working and collaboration. It needs to provide tax and accounting tasks, research tools, and document management.

STRUCTURE

Especially with larger firms, a clear and transparent structure, with client teams at the heart, will provide the necessary workflow in order to deliver an effective service to clients.

Clear career paths, feedback, and mentoring will enable people to progress through the structure.

Strong leadership and effective support functions are critical components of a successful firm.

EFFECTIVE LEADERSHIP

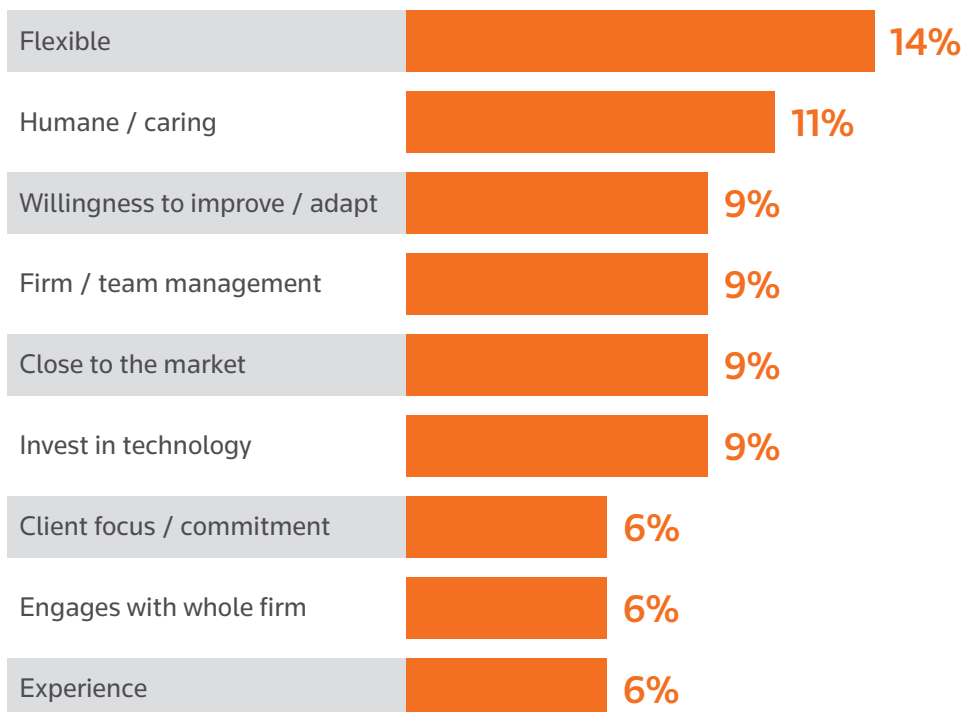
The core strengths observed by more junior tax professionals in their leadership are not necessarily what you would expect to see.

Once again, the softer skills come to the top. Being flexible and humane or caring.

The strongest leaders are also looking to improve and don't rest on their laurels – adapting to new market dynamics or investing in technology.

Effective leaders closely manage both the firm results and team members. They stay close to the market and remain committed to clients.

CORE LEADERSHIP STRENGTHS

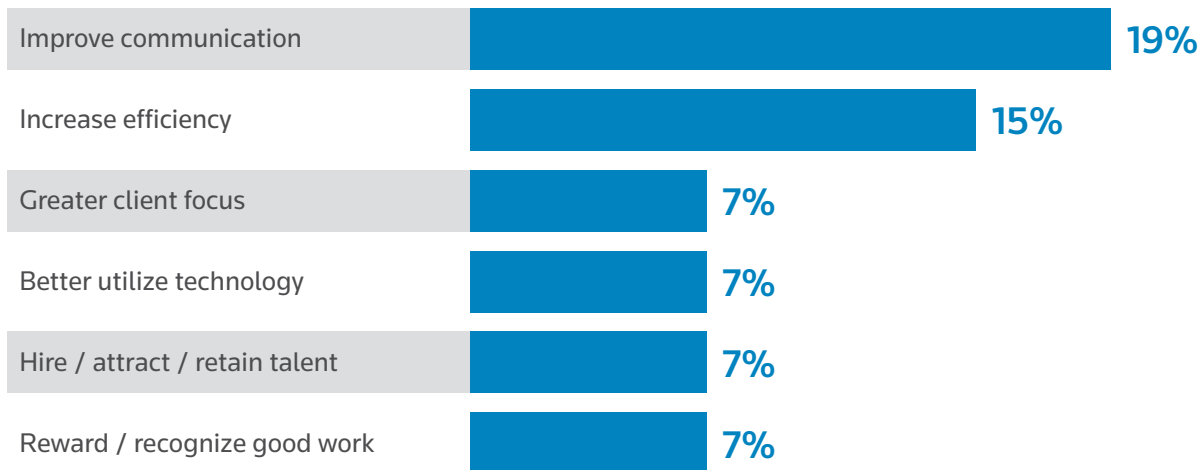


Tax firm leaders can be criticized for the opposite behaviors to those described as key strengths. Communication, in particular, is an area where leaders cannot over-perform. People like to feel informed, involved, and to an extent consulted. They also like to be recognized for their contribution.

Effective talent management really is the most important job for a professional services firm leader.

Leaders who don't buy into more modern ways of working, like investing in technology or streamlining processes, are also criticized – often by younger team members who can be more tech savvy.

WAYS LEADERS NEED TO IMPROVE



MOST VALUED ASPECTS OF CURRENT FIRMS

For larger firms, professionals most value the people they work with, the flexibility they get, and the culture at the firm. These same three factors come top at smaller firms.

Those at micro-firms, however, really value working for themselves – particularly the independence.

Flexibility is valued by people at all sized firms.

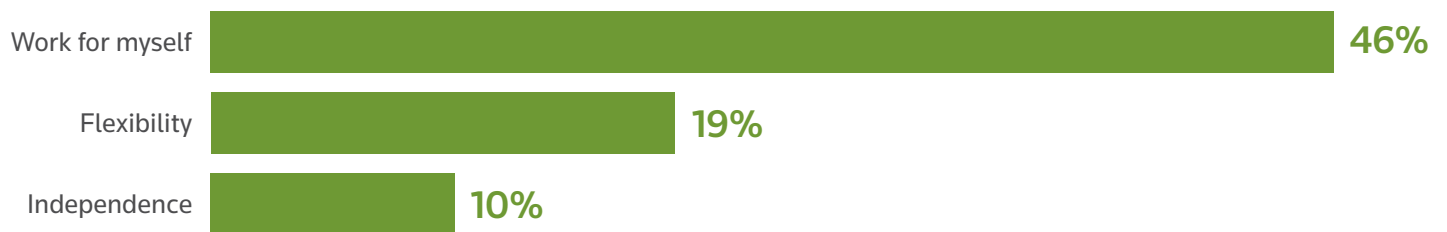
30+ employees



4-29 employees



1-3 employees



Conclusion

The future is bright for tax professionals, although the waters remain a little rough as the pandemic plays out.

It's been a difficult year – being forced to adapt to new ways of working, changing rules, moving deadlines, and supporting clients through tumultuous times. But the lasting impacts aren't all bad.

Professional services advisors often find it difficult to adopt more modern ways of working. They are pressed for time, usually under stretching productivity targets. Changing the way work gets done – processes or systems – means stopping and spending time learning new habits. But the forced change this year, including for some reaping the benefits of historical time and money invested, has provided renewed momentum.

And it's not only workflow efficiency that benefits. We saw that flexibility is greatly valued by tax professionals and remote working has more often had a greater impact on wellbeing. Many tax professionals are thrilled that remote working is now an accepted practice – rather than being frowned upon.

The next 3-6-12 months will no doubt involve more changing rules, deadlines, and client challenges, but demand for services will be high and if talent can work in a more flexible way, then they can reap the financial benefits of revenue growth and try and accommodate the additional demand with greater productivity and a working pattern to suit themselves.

“It's been a difficult year – being forced to adapt to new ways of working, changing rules, moving deadlines, and supporting clients through tumultuous times. But the lasting impacts aren't all bad.”





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