



## **The Big Shift:** How CPA firms can reposition themselves to help clients evolve



*Business needs are changing, requiring companies to seek new strategic capabilities. Tax and accounting firms are uniquely positioned to be strategic advisors and service providers for their clients — but CPA firms must evolve, too.*

## Introduction

Modern businesses generally share the same goals:

- Build a more adaptive business
- Mitigate risk
- Compete against larger, more established businesses
- Evolve quickly to meet changing consumer/customer expectations

Creating the changes and efficiencies to meet these goals requires investing heavily in new ideas and tools, including partnering with a professional services firm that is equipped to help them stay agile, informed, adaptive, and competitive.

For tax and accounting firms, taking on a consultant role offers a way to replace vanishing revenue from declining tax compliance work, as well as an opportunity to strengthen the relationship with their clients. To be able to offer this service, though, firms will have to be able to evolve their own business; they'll need to strategically pivot from being a traditional service provider to one that focuses on offering higher-value (and higher-margin) advisory services.

Now is the time for leaders to determine how their firm will approach this new reality and what their firm will look like five years from now.

This white paper examines the big shift happening for businesses across most industries, what that means for CPA firms, and how firms can take advantage of this changing environment to reshape themselves to become stronger, more diversified, and more profitable.



## How new dynamics are changing business needs and tactics

Modern businesses face unique challenges when trying to grow and stay competitive in a rapidly changing business environment. Marketplaces are becoming tighter and competition fiercer. People entering the workforce have different expectations than previous generations — and often more options for where they work. The workplace is also becoming more technology-driven.

These changes impact companies in just about every area of business: financially, organizationally, and from a marketing perspective.

As businesses work to keep pace with new these challenges — and the opportunities they present — they need to think and act differently. Some need to run leaner and more efficiently; others need to invest in emerging innovation to capture new opportunities. But all need to rethink how they operate, including their financial infrastructure and workforce. They need to ask themselves:

- What new business opportunities are emerging?
- What skills do they need to survive and thrive?
- How do they nurture these skills?
- Where can business efficiencies be gained?
- How can technology be leveraged to identify and manage opportunities and efficiencies?
- How to best keep business secure?

Determining the answers to these questions is vital for all businesses, but especially critical for small and growing businesses with limited headcounts.



## What this means for tax and accounting firms

CPA firms have also been evolving. They understand that market needs are shifting, and they are attempting to stay ahead of those changes. To do that requires firms to invest in:

- Acquiring new tools and content
- Attracting and retaining new skills and capabilities
- Developing their own technology roadmaps
- Building expertise in emerging industries

Firms that successfully evolve their own business can serve as the model for clients working through their path toward modernization. This is important because regulatory changes and the availability of software services mean less traditional tax and accounting work (mostly tax compliance work) is being passed to CPA firms.

By focusing on higher-value advisory services, firms can replace that vanishing revenue.

For businesses, this is a good deal, as well. Collaborating with partners in a professional services firm lets enterprises focus on core business challenges and leverage specialists' deep expertise as required. This will enable the companies to be more agile and proactive in their financial and business strategies.

Tax and accounting firms understand the value and need of this relationship due to the dynamics driving change for them. That understanding makes them a good partner for this modernization. Specifically, they understand:

- Diversification is key to future success to ensure success in a tight market
- A new generation of professionals want work that is engaging and meaningful, not just data entry and form completion
- There is a new world of technology-driven information, and how that impacts business

### CPA firms are looking to add the following services to meet clients' changing needs<sup>1</sup>



Payroll



Non-profit support



Client advisory services  
(helping clients with entity restructuring, merger/acquisitions, succession planning, and obtaining financing)



Wealth management



Technology/cybersecurity



Small businesses, in particular, are looking for more than just tax help. No matter what stage these businesses are at, they may need the following services from their CPA partners:

- Tax planning
- Bookkeeping
- Monthly management reports and KPIs
- Cash planning and forecasting
- Business planning and strategy

Early stage businesses are likely to seek help with tax planning and cash planning and forecasting; established businesses are most likely to seek help with tax planning and bookkeeping.



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### **Businesses are looking past traditional tax and accounting services and are seeking to collaborate on new opportunities**

Here is how CPA firms can help businesses at various stages that are seeking help to evolve, and what firms must do to be prepared to offer collaboration.

**Businesses looking to optimize workforce growth:** Some companies have no finance or accounting professionals in-house and no desire to change. These businesses typically outsource most or all their finance and accounting needs so they can focus on core business and customer needs.

These businesses need work plans that enable work to happen fast and efficiently so they can maximize team time and talent. This can include payroll, accounts receivable and payable, and bookkeeping. But those are just the basics; any financial function — from these basics to advanced forecasting — can be made programmatic and predictable.

Tax and accounting firms can be there to handle these traditional CPA roles and creating needed work plans. They can also help businesses understand how business intelligence (BI) and analytics can help them spot trends and opportunities — and how they can act on them.

To do this, firms should use solutions that help simplify and speed workflows, enable accuracy and collaboration, and give clients confidence.

**Businesses that require occasional additional services and/or staffing:** Some organizations have resources on staff to “cover the basics.” Outsourcing finance and accounting services gives these businesses an effective way to bridge the gap between predictable needs and everything else.

These additional services can scale and adapt as the needs of the business change, and smarter tax and accounting firms should be ready to provide this flexibility.

Firms will need to meet their client’s business demands for service while still managing the challenges of seasonal compression. If every business needs extra help at the end of the year, the stress can be immense, and firms are simply multiplying their compressed workload problems.

Firms can get ahead of this challenge by deploying technology and market research to gain insights so they can be predictive and proactive. This enables them to manage resource compression better while providing the trusted advisory services clients need.

Senior staff can also be offered in a “fractional CFO” capacity. This not only enables small/growing businesses to get outside help; it’s also a great way to let senior staff get exposed to a wide variety of industries and challenges.



*Tax and accounting firms can offer their compliance and regulatory expertise to ensure these companies smoothly grow into their new markets or new, larger company.*

**Businesses needing expertise in improving technology and process best practices:** Some companies have solid financial or accounting expertise that is not ready to scale alongside other modernization efforts. They need help making processes more efficient and impactful without sacrificing security or dependability. They're not outsourcing day-to-day operations but need consulting expertise in building the best systems.

Firms can become advisers for these businesses by first becoming experts on their own technology while also understanding the greater impact of technology on a specific industry.

This means not just hardware and software, but also utilizing advanced tools like artificial intelligence and analytics. These are the skills firms need to offer client advisory services, but they can also be leveraged to fill gaps in client business capabilities.

**Businesses facing change, from new markets to mergers and acquisitions:** Enter new markets or to growing through merger or acquisition can have a significant impact on both compliance and other needs. Imagine a wellness product enterprise suddenly deciding to move into medical cannabis. Or a company that, through acquisition, is now managing employees in two countries.

Tax and accounting firms can offer their compliance and regulatory expertise to ensure these companies smoothly grow into their new markets or new, larger company.

**Businesses seeking visibility through metrics and benchmarks:** Organizations are often familiar with their own data. They know their performance and its trends, quarter-to-quarter and year-after-year.

But for many business decision-makers, this isn't enough; they want visibility into how competitors are doing and how organizations with similar sizes and missions are performing. They want to know what lessons can be learned and leveraged. Since their competitors won't just turn that kind of information over, businesses need help from trusted advisers.

Companies may not necessarily need more raw data, but rather help to figure out what to measure from the data. They need to know things like: What are the most appropriate key performance indicators (KPIs) to assess financial health? What benchmarks are the best way to establish baseline success and measure future success?

Firms can be there to help these companies answer these questions and get the most out of analytics. But first, firms need to invest in their own analytics capabilities. This means bringing in

data scientists or recruiting team members who understand the entire “data supply chain” where information moves from raw data to a valuable resource.

Firms can also train staff on next-generation analytics and reporting tools and always ensure some team members are watching the artificial intelligence/machine learning space. As technology gets more refined, the possibility of “citizen data scientist” draws closer. This is where a non-expert can, with the right technology, unlock the power of analytics even without advanced training. It’s a perfect match for the detail-oriented, analytical minds most tax and accounting professionals already possess.



*While CPA firms are typically qualified to perform traditional financial audits “right out of the box,” the growing influence of regulatory frameworks means non-financial audits covering cybersecurity, quality, or performance claims are more and more popular.*

**Businesses needing auditing and assurance work:** While CPA firms are typically qualified to perform traditional financial audits “right out of the box,” the growing influence of regulatory frameworks means non-financial audits covering cybersecurity, quality, or performance claims are more and more popular.

As these frameworks become more complex, companies need to be able to understand requirements, build controls, and then demonstrate compliance. Firms can meet these needs for businesses.

To be prepared for this service, firms should add specialist staff or create opportunities for existing staff to become certified in these specialized audits.

Firms should also invest in best practice tools and content that support these efforts. This can include specialized audit workflow tools and evolving content that ensures both the firm and clients are up to date on the latest version of a specific framework.

### Conclusion

The world is changing for tax and accounting firms and their clients. For firms to survive and thrive, CPA firms must help their clients do the same. They need to build a more adaptive business model, mitigate risk, and adapt to evolving customer expectations.

This requires a culture change, and when a company is focused on the day-to-day business operations, this transformation may get pushed to the back burner — or it gets executed in a rushed, ineffective way.

To get it done right, many businesses will turn to professional service firms. For CPA firms, this presents an opportunity to transform from merely a provider of traditional tax and accounting services to a strategic partner for modernization.

Tax and accounting firms that have successfully managed their own evolution in this new business environment will be positioned to pivot from being a traditional service provider to one that focuses on offering higher-value (and higher-margin) advisory services. This will allow firms to better weather the changes in the profession and replace vanishing revenue from declining tax compliance work and strengthen the relationship between their firm and clients.

Now is the time to start building the internal expertise and skills to become the partner clients need.

### Here are some resources you might find useful:

#### Practice Forward

Let us guide you through developing a progressive business model for your firm. With Thomson Reuters® Practice Forward content, tools, and guidance, forward-thinking firms can expand into advisory services, improve margins, drive growth, and elevate client service. [Learn more.](#)

#### Onvio Firm Management

Onvio® Firm Management is a comprehensive, cloud-based software that lets you run your accounting practice more collaboratively than ever — from anywhere. Your firm can create the perfect client communication hub by combining document storage with secure online client accounts. Your staff and clients will always stay in sync with centralized data management and real-time updates. Plus, you'll be able to work from anywhere using the convenient mobile apps. [Learn more.](#)

#### UltraTax CS

Thomson Reuters® UltraTax CS automates your entire business or individual tax preparation, delivering powerful, timesaving tools. You'll access a full line of federal, state, and local tax programs including 1040 individual, 1120 corporate, 1065 partnership, 1041 estates and trusts, multi-state returns, and more. UltraTax CS seamlessly integrates with other Thomson Reuters solutions, including CS Professional Suite and Onvio cloud software so you never lose any billable hours to manual processing. Meet all of your tax workflow needs with a customized, end-to-end solution built on cloud computing, advanced data sharing, and paperless processing. [Learn more.](#)

#### Checkpoint Edge

Built to deliver the latest in artificial intelligence, cognitive computing, and machine learning technologies, Checkpoint® Edge is a tax and accounting research tool that provides you with a more fluid and intuitive user experience, and enables you to find fast, accurate answers. This means you can spend less time on tax research and more time doing what really matters most to your business. [Learn more.](#)

#### Cloud Audit Suite

The cloud audit suite helps accounting firms future-proof their audit capabilities through real-time digital collaboration, engaging employees with progressive technologies, and greatly improving client retention by delivering actionable insights and value-added services beyond the audit report. [Learn more.](#)

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<sup>1</sup> "The Year ahead for accounting: 2020 in numbers," Accounting Today, December 2, 2019. <https://www.accountingtoday.com/list/the-year-ahead-for-accounting-2020-in-numbers>

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