



4 ways your outdated software is costing you

WHITE PAPER



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Is your current tax software costing your firm time and money, and impacting your ability to grow?

That's a question every tax and accounting firm leader should consider as advancements in technology and a changing business environment continue to transform how professionals work and collaborate with their clients.

Even before the pandemic hit, many firms turned to technology to help increase revenue and drive efficiencies through streamlining and automating processes. Now firms are looking ahead and reflecting on the lasting positive impacts of the changes driven by the pandemic. The results: According to a survey by Thomson Reuters® Institute, 41% of tax professionals identified the biggest positive impact as the greater use of technology, and they expect this to continue to be a driving force in their work. Furthermore, 10% of respondents said they expect greater efficiency due to the increased reliance on technology.¹

The reality is that firms continuing to operate with outdated tax software face a number of disadvantages and risk their ability to drive greater profitability and grow their practice. It is important to ensure that your firm doesn't fall victim.

To help today's firms remain competitive, this white paper outlines four ways outdated tax software will cost you.



Not all clouds are created equal

Having the technology in place to streamline your practice, increase productivity, and efficiently meet client demands and business needs anytime, from anywhere is essential to maintaining your firm's competitive edge. That's why leveraging the right cloud solution is essential for today's firms.

First, it is important to understand that not all clouds are created equal. Enter cloud-enabled and cloud-native. At first glance, it can be easy to confuse the two terms but be assured that significant differences exist. Let's take a closer look.

Cloud-enabled solutions

Cloud-enabled means that it is traditional legacy software designed outside of the cloud architecture and enabled to exist in a cloud environment. For instance, it could be a desktop tool hosted in a cloud environment. This means users might access the software through a central hosted environment, but it has some level of desktop-type footprint.

Cloud-native solutions

Cloud-native solutions are designed and built in a cloud infrastructure. Leveraging a cloud-native solution enables firms to enjoy the cloud computing delivery model's full advantages and deliver a more modern user experience.

When looking for a cloud solution, consider these three questions to help you separate the cloud-enabled from the cloud-native:

- **Do I have to download anything to my computer to access the tool?**
If so, then it is not cloud-native.
- **Do I have to access the tool through a virtual private network (VPN)?**
If so, then it is not cloud-native.
- **Can I access the tool from anywhere, from any device such as a mobile phone or laptop?**
If so, then it is cloud-native.

¹ Insights for Tax Professionals 2021 (Rep.). (2021). Retrieved from <https://tax.thomsonreuters.com/en/accounting-solutions/c/insights-for-tax-professionals-2021>

So which cloud solution is best for your firm? For today's tax and accounting firm, implementing a cloud-native platform that provides a comprehensive solution to fulfill your firm's tax compliance, management, and advisory needs will ultimately help you boost the bottom line and drive greater profitability at your firm. Having a single source of truth across all integrated applications is the backbone of a modern workflow experience.

Let's explore four ways your outdated software will cost you and how leveraging a cloud-native platform can help transform your tax practice.

Four ways outdated software will cost you



1. The perils of inefficiencies

Driving efficiencies has been, and continues to be, a top strategic priority for many firms² — and for good reason. **It is estimated that every year companies lose between 20 and 30% of their revenue to inefficiencies, according to findings from market research firm IDC.**³

Firms today are expected to do more for their clients at a faster rate and a lower price point due to the increased commoditization of compliance work and rise in client demands. At the same time, the required translation of new and changing regulations is consuming more of firms' time and resources. Now throw into the mix the COVID-19 pandemic, which accelerated the need for flexible work arrangements — exposing potential security gaps and highlighting disconnects in workflows.

Given these challenges, firms must find ways to implement greater automation and eliminate redundant and sometimes manual tasks, all while working from anywhere at any time.

That means implementing a solution that delivers a single source of truth — bringing together firm, client, and project data — to increase efficiency with connected workflows, all within a secure environment with encrypted data sharing.

"That single source of data is really important for a tax workflow. If I'm working with client information I need that client information to live with the client, but I also need it to live with the client's tax return, and I may even need it to live with the client's business that is another tax return or another grouping of my client base. I need that data to be shared across all of those instances or those needs. If they are all pointing to the same source then I know that it is the true data and I'm not constantly having to worry about updating things in multiple places," said Mark Miklosovic, customer proposition strategy lead at Thomson Reuters.⁴

Continued Miklosovic, "I know that, regardless of the project that I'm working on, I have the right information and it could be anything from tax information to demographic information. That really supports that modern workflow experience. In fact, I would say that it is the backbone of the modern workflow experience."⁵

Don't let your firm fall victim to the costly perils of inefficiencies. With the right cloud-native platform, your firm can securely collect, share, and store documents, track time and billing, manage projects, and stay synchronized with colleagues and clients, on a single, universally accessible integrated platform.

When looking for the right solution for your firm, consider a platform that delivers some of the following features:

- Can easily request, collect, and share documents in a secure environment accessible by both staff and clients.
- Can securely send documents that require a signature through a portal or email for eSignature with enhanced identity verification.

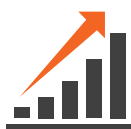
2 Insights for Tax Professionals 2021 (Rep.). (2021). Retrieved from <https://tax.thomsonreuters.com/en/accounting-solutions/c/insights-for-tax-professionals-2021>

3 Kulkarni, C. (2018, June 19). How to Ditch the Inefficiencies That Are Eating Your Revenue. Entrepreneur. Retrieved from <https://www.entrepreneur.com/article/312406>

4 Miklosovic, Mark, phone interview, March 9, 2021

5 Miklosovic, Mark, phone interview, March 9, 2021

- Streamlines and manages workflows on a single platform.
- Tracks tasks, project time, and expenses to create client invoices and billing statements.
- Delivers a single point of data entry for all client data. This means there's no worry about updating information in multiple places and no manual syncing.
- Can be accessed online from any device at any time without the worry of only being available in a specific location or by a set number of users.
- Keeps your firm and client data safe with enterprise-level security and multiple levels of protection.
- Multiple users can access the same forms and projects at the same time for truly concurrent access.
- Features mobile apps offering the flexibility for staff and clients to access and share documents and receive notifications on the go.



2. Missing out on higher-margin opportunities

Given the changing dynamics of the industry and advancements in technology, a growing number of tax and accounting firms are setting their sights on offering higher-margin, high-value advisory services that extend beyond compliance.

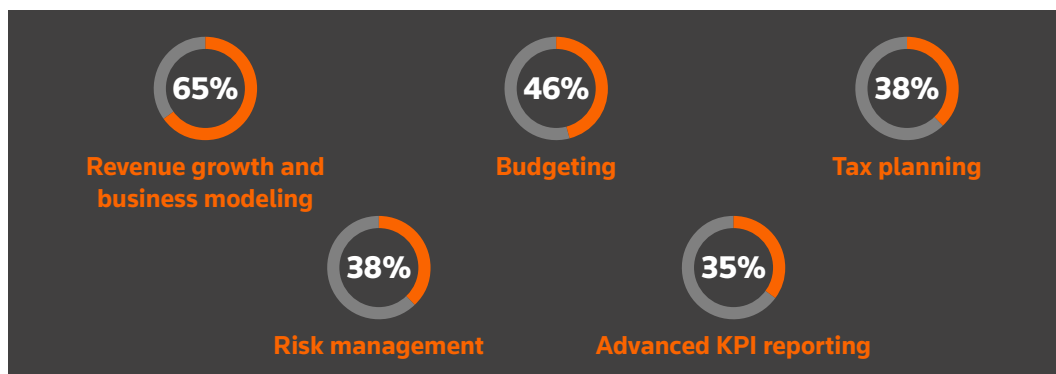
In fact, a recent study from the Thomson Reuters Institute found that 95% of tax professionals believe their clients want business advisory services, a client demand that was further accelerated by the COVID-19 pandemic.⁶

In today's increasingly complex business and regulatory environment, it's no surprise that clients are placing a higher premium on better business planning and strategic advice. It is important to ensure that your firm isn't missing out on these growth opportunities.

By saving significant time preparing and filing tax returns and managing your firm, you can focus on delivering clients higher-value, higher-margin advisory services that will increase client satisfaction and ultimately boost your firm's profitability.

Consider this: Accounting firms may be able to increase monthly client revenues by up to 50% by offering strategic advisory services, according to a survey by CPA.com, Hinge Research Institute and Bill.com.⁷

According to the survey of more than 650 accountants and business professionals who purchase accounting firm services, the services identified as most desirable when it comes to strategic advisory include⁸:



6 Thomson Reuters Institute. (2021, February 9). A Sizeable Majority of Tax Professionals See Future in Advisory, Thomson Reuters Study Finds [Press release]. Retrieved from <https://www.webwire.com/ViewPressRel.asp?aId=27013>

7 "Where Opportunity Meets Value: Business Model Trends for Accounting Advisory Services" (Rep.). (2020). Retrieved https://www.cpa.com/sites/cpa/files/2020-06/CPAcom-BDC_Biz%20Model_Report.pdf

8 "Where Opportunity Meets Value: Business Model Trends for Accounting Advisory Services" (Rep.). (2020). Retrieved https://www.cpa.com/sites/cpa/files/2020-06/CPAcom-BDC_Biz%20Model_Report.pdf

It is important to ensure that your firm isn't missing out on these profitable advisory opportunities. Do any of the following scenarios sound familiar? If so, it's probably time to make a change within your firm:

- Your firm's compliance services are taking up too much time and resources, leading to long hours throughout tax season and clients overly focused on the tax return as the sole reason to consult (and pay) your firm.
- Additional services that your associates provide are not easily separated from the compliance work, which often means that accountants are giving away advisory work.
- Your firm's existing planning solutions are desktop-based, which makes secure, remote access so that work can be done anytime from anywhere difficult and costly.
- Handling client inquiries and creating proposals is time-consuming because of the lack of a system that supports creation, modification, and reuse of core documents across multiple clients.

"Today the capabilities are really around giving practitioners the time so that they can actually build [the advisory services] part of their practice," said Miklosovic. "... Right now, the way that we are driving that is by building great efficiency into their bread and butter services and providing tools and guidance so that they can start to expand into new advisory-type services."⁹

That's why it is important to leverage a comprehensive solution to help your firm strengthen client relationships and increase monetization with your advisory services. You've always provided value to your clients — now it's time to uncover new ways to improve their tax positions.

With the right comprehensive solution in place, firms can reap significant benefits, including:

- Increase revenue by applying a more sustainable, value-based business model.
- Create efficiency in advising clients on various forward-looking tax scenarios.
- Access all advisory projects from one location, including easy access to your most recent projects.
- Free up time from day-to-day routine tasks to focus on taking your firm to the next level (partner/owner).
- Provide in-the-moment decision support to clients using calculators and client facing handouts, and easily leverage research tools for legal and regulatory changes.
- Surface opportunities for advisory services from your existing client base.
- Create what-if tax planning scenarios to help your clients make informed financial decisions that impact their federal and state tax liability.
- Customize client-facing handouts with your firm's branding.
- Share your work files with your clients through a client portal.

With the proper tools and resources at hand, firms can then build a scalable method of delivering advisory services — resulting in increased revenue and more meaningful client relationships.

"If they have the time to step back and look at their clients' situation and identify their clients' unconsidered needs they can then offer that service ahead of time and create a very clear value for their client that their client can then make a decision about. ... It's much more about a shift to being more proactive around those services. So, it's helping [firms] move to the front end compared to a reactive, or after-the-fact client experience," Miklosovic said.¹⁰

⁹ Miklosovic, Mark, phone interview, March 9, 2021

¹⁰ Miklosovic, Mark, phone interview, March 9, 2021



3. Client loyalty at risk

Today's clients want more proactive tax guidance, and want an easy, modern user experience.

Being able to confidently and securely collaborate with clients will help your firm strengthen client relationships. Unfortunately, firms that fall short of these expectations risk losing clients to the competition.

This shift in client expectations is shaped, in part, by the fact that many clients have grown accustomed to the accessibility and conveniences of the internet and mobile applications (i.e., online shopping, mobile banking, online bill pay, etc.) They want and expect the same experience from their tax and accounting professional.

Underscoring this point, a survey by Bill.com found that some millennial business owners not only want to work with leading technologies — they require it. **A quarter of millennial business owners said it is “critically important” to them that their firm use the cloud and mobile technologies.**¹¹

More specifically, the survey found the top-three tools millennial business owners would like from their accounting firms are cloud-based technologies (56%), online invoicing (46%), and digital payments (33%). Mobile access came in at 25%.¹²

Firms can better communicate and impress clients with a modern experience and collaboration tools built on a single platform. Consider the following benefits and features:

- Easily request, collect, and share documents in a secure environment accessible by both staff and clients.
- Mobile apps offering the flexibility for staff and clients to access and share documents and receive notifications on the go.
- Create invoices that accurately reflect staff time and billing, which provides confidence to the client on services performed.
- A client portal with a folder system so documents can be collected, shared (encrypted), and stored securely for easy accessibility.
- Securely send documents that require a signature through a portal or email for eSignature with enhanced identity verification.

“Everything is about the client experience, even what we do,” said Miklosovic. “We want to serve our customers and we want them to be happy with the tools that we provide, but if we can help our customers provide a truly delightful experience for their clients in the process, that’s really impactful.”¹³



4. Losing top talent

Staffing is a top concern for many firms¹⁴ — and for good reason. Not only is the industry becoming increasingly competitive (especially as remote work capabilities have eliminated geographic borders and widened the talent pool), but losing an employee can negatively impact your firm’s productivity and profitability, and finding and hiring a replacement can be expensive.

Consider this: The Society for Human Resource Management (SHRM) estimates the average replacement cost of a salaried employee to be six to nine months’ salary.

¹¹ Millennial Business Owner-Accounting Firm Survey Special Report (Rep.). (2017). Retrieved <http://cashflow.bill.com/rs/657-XMM-212/images/Bill.com%202017%20Millennial%20Business%20Owner%20Survey%20Special%20Report.pdf>

¹² Millennial Business Owner-Accounting Firm Survey Special Report (Rep.). (2017). Retrieved <http://cashflow.bill.com/rs/657-XMM-212/images/Bill.com%202017%20Millennial%20Business%20Owner%20Survey%20Special%20Report.pdf>

¹³ Miklosovic, Mark, phone interview, March 9, 2021

¹⁴ AICPA. (2019, June 13). Staffing Remains Top Concern for CPA Firms, AICPA Survey Finds [Press release]. Retrieved from <https://www.aicpa.org/press/pressreleases/2019/staffing-remains-top-concern-for-cpa-firms-survey-finds.html>

This means for an employee earning \$60,000 per year, that totals approximately \$30,000 to \$45,000 in recruiting and training costs. Other studies have estimated this figure to be significantly higher — as much as twice the employee's annual salary, especially for high-earner or executive level employees.¹⁵

Implementing the right solution that enables staff to work efficiently and effectively can help firms attract and retain top talent, and avoid the hefty cost of employee turnover.

"The reality is employees want to have a fulfilling work experience. ... A lot of times they are going into this field because they truly want to serve their clients. They want to be of value to those they are serving," said Miklosovic. "The way that technology helps in that is getting mundane tasks out of the way. Getting stuff out of the way that doesn't bring ... a perceived value to the client, and giving them the opportunity to go out and build the skills that make a difference for their clients and for their career."¹⁶

Underscoring this point, a survey by the Association of Chartered Certified Accountants (ACCA) found that 85% of respondents in large accountancy firms said they see technology as an opportunity to focus on much higher value-adding activity.¹⁷

Bidding adieu to outdated software and implementing a solution that improves collaboration, streamlines workflows, and weeds out mundane, manual tasks is essential for today's firms. Leveraging technology to help drive employee engagement and enable staff to focus more time on satisfying, value-add functions can be a game changer when it comes to attracting and retaining top talent.

"I think technology's impact [on staff] is much less about the 'shiny new toy' and much more about driving engagement within the talent in your firm by removing obstacles to growth," said Miklosovic. "The other piece of that is ... relieving the compression of the traditional tax season burden on people's psychology and on their mental capabilities. The way the profession works today is very draining."¹⁸

The bottom line: a happier staff ultimately leads to greater profitability. Leveraging the power of a comprehensive platform can help lead your firm in the right direction.

Conclusion

Don't let your outdated tax software cost your firm time and money, and impact its ability to grow.

Implementing a comprehensive cloud-native platform can help firms elevate their competitive edge and avoid unnecessary costs by weeding out inefficiencies and retaining top talent. All while enabling firms to also free up more staff time to deliver higher-margin advisory services and strengthen client relationships.

Implementing new technology can be overwhelming but it doesn't have to be. If you're unclear on where to begin, turn to a trusted solution provider, like Thomson Reuters, who can help. Don't waste another day, or another dollar, with outdated software. The time to act is now.

¹⁵ Cost of employee turnover [Web log post]. (2019, April 19). Retrieved from <https://mnwi.usi.com/Resources/Resource-Library/Resource-Library-Article/Article/666/ArticleID/782/Cost-of-employee-turnover#:~:text=The%20Society%20for%20Human%20Resource,in%20recruiting%20and%20training%20costs>.

¹⁶ Miklosovic, Mark, phone interview, March 9, 2021

¹⁷ Generation Next: Managing talent in large accountancy firms (Rep.). (2018, January). Retrieved from <http://www.accaglobal.com/gb/en/professional-insights/pro-accountants-the-future/Generation-Next-large-accounting-firms.html>

¹⁸ Miklosovic, Mark, phone interview, March 9, 2021

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