The Rosenberg Survey: Talent and Technology top list of tax & accounting industry challenges

Gregg Wirth Content Manager / Thomson Reuters Institute /

24 Jan 2023

The most recent Rosenberg Survey, a yearly study of the CPA industry, shows that issues of hiring & retaining top talent and leveraging the right technology remain major challenges

While the accounting profession may have had a strong year economically — both revenue and income-per-partner were up — many tax & accounting firm leaders are still facing steep challenges to simply running their firms, especially around challenges such as adopting new technology, hiring and retaining top talent, and continuing to serve clients in a way that address their growing service needs, according to the latest Rosenberg Survey.

The **24th Annual Rosenberg Survey**, a yearly study of the CPA industry in the U.S. published by consulting firm **The Growth Partnership**, showed that average accounting firm revenue increased 9.5% — the largest increase since 2007 — and almost double the 5.7% average increase shown the previous survey. (The latest survey, released in late-September 2022, relies mostly on data from the year previous gathered from 293 U.S. accounting firms of all sizes and regions.)

To better understand the industry trends and developments illustrated in the report, we spoke to Allan Koltin, of **Koltin Consulting**, whose insight was included in the report.

Thomson Reuters Institute: ***We found it interesting that many of the trends and developments cited in the report had to do with managing talent, everything from figuring the best mix of remote and in-person work, to changing incentives in order***

to appeal to younger professionals. How big a challenge do you see talent becoming in the future for tax & accounting firms?

Allan Koltin: Definitely, I think it's the #1 issue — and issue #2 is see issue #1.

All roads lead to talent. The recruiting of it, the retaining of it, and the growing of future partners and future stars. The talent pool keeps shrinking, and even within the pool, the subset of very talented individuals keeps shrinking.

In the old days, you used to join an accounting firm and you went into either audit or tax. Today you have another path called *consulting & advisory*. So it's bad enough that there's not a lot of new accountants coming in to do audits and taxes, but now it's worse that the few that are there want the sexier thing, which is consulting & advisory.

Thomson Reuters Institute: *The report shows that up to one-quarter of accounting firm partners are over the age of 60, and for smaller firms, that number is above 40%. Given this, what should firms do?*

Allan Koltin: They have to have find a way to get these younger professionals into the profession, into the firms, and stay there. The report talks about changing some of these incentives around talent, and moving away from the way things have been done forever, because that is not really conducive to enticing younger professionals.

Right now, there's several actions that a firm needs to take if they want to at least compete in the war over talent. First, younger professionals today won't do what their elders did — spend 40 years or so at the firm, of which the first 10 were just doing boring grunt work. In the old days, accountants didn't have the options they do now.

As one young accountant once told me, "By the time I did my 15th tax return, I knew how to do one. So, if the firm thinks I'm going to sit here and do 1,500 of them, they're out of their mind."

Thomson Reuters Institute: *The report noted that workforce management strategies like outsourcing, onshoring, and offshoring as well as hiring non-CPA professionals for many roles within firms were becoming more commonplace. Is this a reaction to the talent issue?*

Allan Koltin

Allan Koltin: Yes, it's one way the industry has reacted, by simply buying cheaper labor in places like India, and offshoring the work — or as I call it, *right-shoring* it — and getting work done economically better at $25 an hour instead of $125 an hour. But more importantly, this activity frees up younger accountants to do more interesting work within the firm.

And if a client says*, I don't want you sending my work to India*. The accounting firm should say, *That's great, because we still need to keep some of it here so we can train the people how to do the work*. However, young accountants just don't have to do it in repetition 1,500 times.

So, in a way, having a good offshore strategy in place is a way to keep great talent. In fact, in the top 50 or so of the high-performing tax & accounting firms, I wouldn't be surprised if about 15% to 20% of all billable hours are done offshore within the next three years.

Thomson Reuters Institute: ***Finally, the report called "technology" the linchpin of almost every other discussion point. How would you rank the accounting industry's adoption and utilization of technology, and where can it improve?***

Allan Koltin: Even with revenue and profits up, as the report showed, if a firm is not investing deeply in talent and technology in order to transform the business over the next couple of years, it is going to have a big problem.

If you think about it, tax & accounting firms have a somewhat unique problem in that any money for investment has to come out of the money paid out as partner compensation. So what firms are doing today is they're creating innovation funds as a way to sort of scrape together the money before it even gets to the partners to allocate. And while that didn't feel like such a heavy problem only a few years ago, we're now seeing a 4th Industrial Revolution, in which technology and digitization will become dominant, irreplaceable forces. And it is hitting the accounting firms right between the eyes.

Firms have to spend — they have to transform. As I often say, what got us to the dance will no longer keep us at the dance. For example, there is a wave of technology coming that will cause compliance work to literally evaporate because the latest AI or robotic processing can take 200 people hours and eliminate it at the push of a button. Simply put, technology is replacing a lot of what tax & accounting firm talent used to do.

In the end, I think it's going to come down to capital. We're going to have a group of firms that are well capitalized and can make deep, deep investments in industries and service lines, product development, and innovation and technology. And then you're also going to have some firms that don't have the capital, and they're going to trying to do everything on the cheap.

In the second part of this interview, we will take a look at the changing face of accounting firm ownership in the marketplace and the profession's long-anticipated move toward more advisory work.