



Why Accounting Firms Can't Keep Talent

and How to Fix It



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MOST INFLUENTIAL PEOPLE IN ACCOUNTING

– Accounting Today

About Hitendra

As the President of Global F&A Services at Datamatics, he drives the company's Finance & Accounting business vertical. His expertise spans client accounting and advisory services (CAS / CAAS), emerging accounting technologies, and CPA firm success.

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The accounting profession is now witnessing a talent crisis that has never been seen before, with professionals exiting in large numbers, very few new professionals coming in – and, in turn, increasing pressure on firms. Let us examine the status of the accounting talent crisis and its root causes and then assess whether outsourcing is the right solution for your firm.



Understanding the Talent Crisis

The Alarming Numbers



Between 2019 and 2023, the accounting profession experienced a 17.31% decline in its workforce, which is 340,000 professionals exiting the field.¹



Smaller CPA firms are hit the hardest, with less than 1% finding adequate staff.²



The demand for accountants and auditors is expected to grow by 6% in the year 2031.³



In 2021-2022, the number of students graduating with Bachelor's and Master's degrees in accounting decreased by 7.8% and 6.4%, respectively, the biggest yearly decrease since 1994-95.⁴

(Source: 1. Bureau of Labor Statistics,
2. Accounting Today, 3. Bureau of Labor Statistics,
4. AICPA)

Retention Challenges



Eight percent of 18-38-year-olds plan to leave their firms within a year, while 39 percent have left their jobs in the past 24 months.¹



The problem cuts across various work arrangements, i.e., on-site workers, remote workers, and hybrid workers, with hybrid workers relatively less likely to leave the firms or the profession.²

(Source: 1,2, Study by I.M.A., Robert Half, 14 State C.P.A. Societies,)

Root Causes of the Crisis



1. Workload and Job Satisfaction

Accountants must handle an overwhelming workload, (perceived or real) menial tasks and a lack of challenging work. The perceived threat of new technology replacing jobs adds to the anxiety¹. Firms that sign up with any client that walks in the door, have a pricing structure that attracts lower-end work, do mostly transactional work, etc. are more prone to expose staff to mundane work.



2. Workplace Culture

Perceptions of long hours, low starting pay, and uninteresting work environments deter potential candidates.²



3. Financial and Educational Barriers

The lower wages compared to other industries and 150 college credit hours for CPA licensure deter many potential candidates; additional time and costs, outdated academic experiences, and insufficient engagement in accounting courses further turn people off from the profession.³



4. Underrepresented Diversity

A lack of diversity and inclusivity within the profession due to the underrepresentation of minorities in accounting.⁴

(Sources: 1. various surveys, 2. NAPG draft report, 3. various surveys, 4. NAPG draft report)

Proven Solutions and Strategies

Rethinking Work Environments: Leading firms are rethinking their work environments by:



Matching roles with the passions and motivators of staff members.



Giving employees the opportunity to pursue careers and participate in decisions about their work.



Establishing project-based teams and exhibiting good supervision practices.



Providing work-life balance and competitive compensation.



Embracing technology and automation, integrating more of their tech solutions to reduce the workload and make the processes more efficient.



Firms also consider being selective about which clients to sign up with and cull current clients who are not an ideal fit for the firm.



Firms are implementing effective pricing strategies to manage the demand pipeline better.



Outsourcing/offshoring to overcome staffing shortages.



Is Outsourcing the Right Choice for Your Firm?

According to recent surveys, it is estimated that three in four firms are considering / exploring offshore outsourcing, and many have already done so.

But is offshore outsourcing a right fit for your firm?

Let's review the choices and steps to take.

Outsourcing Models

There are three broad outsourcing models that an accounting firm can leverage. Each of these models requires varying levels of resourcefulness at the firm.

Captive

Establishment and management of an offshore company.

BOT (Build, Operate, Transfer)

A model in which the provider works with the firm to operate an offshore team, which can later be turned into a captive setup for the firm.

Partner Provider

A partner provider provides fully managed services.

Evaluating Suitability

To determine if outsourcing is suitable for your firm, reflect on several key questions:

- | | |
|---|--|
| • Can your firm function optimally if some staff leaves? | • Does your firm have a remote-friendly tech stack? |
| • Can your firm absorb new work without causing the overwhelming burnout of current staff? | • Does your firm have adequate process documentation? |
| • Can your firm identify an outsourcing champion at the firm – a person accountable for implementing outsourcing? | • Are your firm's leaders comfortable with team members being 10,000 miles away? |

How is your firm adapting to capacity challenges?

To evaluate that, you need to know the real, measurable negative impacts of talent crisis. Our continuing research and experience working exclusively with CPA/accounting firms have identified the top common problems that staffing shortages cause firms.

Take this 2-minute short but precise quiz

to discover how your firm is adapting to these challenges. Instantly see your score and what that score means for your firm.

Take the Quiz Now

Real-World Success Stories

Several firms have successfully navigated the talent crisis by adopting innovative approaches:

"Center of Excellence" approach

A national firm achieved economies of scale and avoided duplication of efforts by centralizing expertise and resources.

"Separating" processing from client service management

A niche industry-focused firm differentiated the roles and responsibilities by getting operational tasks done by offshore teams and managing client interactions by onshore teams.

"Tax season peak management" approach

A regional firm implemented a mix of seasonal staffing (interns for data-intensive work), workflow optimization (to manage the surge in tax filings effectively), minimizing extended hours (by leveraging offshore capacity), and proactively communicating with clients (e.g., deadlines, requirements, preferred pricing to incentivize early responses from clients, and transparently informing any potential delays to manage expectations).

"Capabilities Center" approach

A CAS (Client Advisory Services) firm focused on providing a suite of advisory by leveraging expertise and collaboration between offshore and onshore teams. This is powered by technology and innovation to ensure scalability and flexibility.

What next?

Each accounting firm needs to address the talent crisis in accounting strategically and immediately. This first step is just an attempt to solve some of the problems by reimagining the traditional workspace with automation; the others are most effectively addressed through **outsourcing**. Firms need to evaluate if outsourcing is a right fit and if yes, know and decide which services/work/tasks are to be outsourced first and under which model to use the available workforce efficiently to remain well-organized and achieve sustained growth over a long period.

Take Action Now

To learn more about how you can leverage our exclusively-for-accountants-outsourcing, **click here to book a 15-minute** no-strings meeting with one of our experts.

Why Datamatics Business Solutions is your best choice?

Datamatics Business Solutions has over 20+ years of experience providing scalable and efficient Accounting, Bookkeeping, Audit, Client Advisory Services (CAS), and Tax preparation services EXCLUSIVELY to CPA/accounting firms worldwide. We do not compete with accountants.

With a team of 1,500+ experienced and qualified accounting professionals, we enable 150+ firms streamline their financial operations, ensure compliance, and drive profitable growth. Our experienced and qualified accounting professionals backed by years of expertise in using advanced software and technologies commonly used by accountants gives us the in-depth knowledge of accounting principles, tax regulations, and industry best practices required to earn the trust and loyalty of CPA/accounting firm clients worldwide. Datamatics Business Solutions is your one-stop shop for reliably growing your firm to thrive in a dynamic and competitive landscape. **Click here to contact us now.**

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