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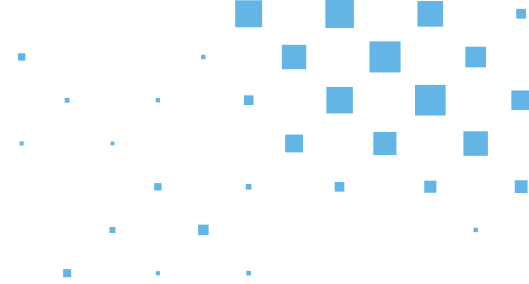
WHAT IS KEEPING ACCOUNTANTS AWAKE AT NIGHT?

Uncovering the challenges currently facing accountants

Official Supporter of Accountants

CONTENTS

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SUMMARY

The accountancy profession is facing disruption from all directions.

Some client services are becoming commoditised, compliance requirements are increasing in volume and complexity (accelerating the need to digitise) and there is added competition from a swathe of new and nimble practices entering the market.

But it is not all doom and gloom

On the contrary, more and more businesses are looking for advice and support in developing business strategies that will keep them afloat as they navigate today's challenging business climate.

Clients are finally asking for business advice, and accountants are now at the forefront, delivering advisory services on top of their day-to-day compliance work. This trend is set to increase at pace as businesses face a tidal wave of post-Covid and post-Brexit financial and operational uncertainty.

Our research set out to uncover the challenges currently facing accountants when tackling this disruption. We explored the problems experienced with current accountancy setups and examined what a future-fit accountancy practice might look like.

Three major issues emerged as barriers to growth and competitiveness: a lack of necessary skills, a time-poor culture and a sluggish appetite for change. Whilst these challenges have always been in the profession, the impact of the Covid pandemic has made them a primary challenge for practices.

The findings reveal that the future fit accountancy practice will be one that successfully manages change and digitises their process workflows, so they can work smarter and evolve the experience offered to their customers.
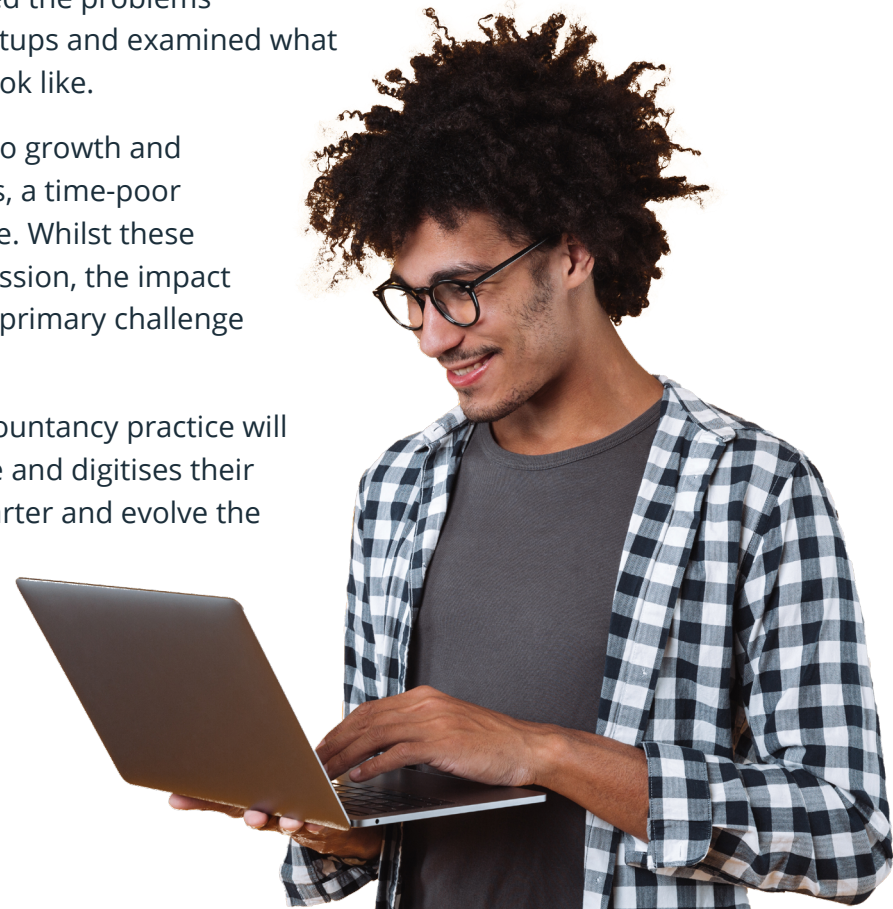
BACKGROUND

The accounting profession has been grappling with frustrations for a number of years.

Delays in processing, human error, duplicate tasks and a lack of streamlined processes to get from Point A to Point B in client services are a few of the common pain points, according to Accounting Today[1].

There is now an urgent need for a more joined-up approach, 'where unstructured financial data is streamlined into meaningful reports on risks and opportunities, to support clients with their business decision-making.'

Holistic Advice

> **Historically, accounting was more about after-the-fact reporting, while today, accounting is more about predicting the future – it has to be to help keep the businesses they support afloat.**
>
> **Elona Mortimer-Zhika,**
> **Chartered Accountant and CEO of**
> **IRIS Software Group**

According to Forbes[2], clients will increasingly expect accounting and tax professionals to become holistic advisers rather than simply being transactional accountants.

There is a significant opportunity for accountancy practices to leverage their expertise in advising clients on both their immediate needs and their short and long-term business strategy.

Service Delivery

[Digital service delivery](#)[3] has the potential to transform accountancy through web-based business processes, e-commerce, mobile commerce and self-service. However, delivering more products and services electronically requires new skills to be acquired.

[Forbes](#) expects the future accountant will be 'tech-savvy, mobile-friendly and comfortable using mobile platforms to service clients.'

The shift in the type of service offered and the way it is delivered requires significant change in working patterns and the way accountants communicate and collaborate with clients.

It is no secret that accountants have a strong risk perspective/outlook on the world. It is also no secret that many accountants are already over-stretched, meaning they must explore more efficient ways of working.

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ABOUT THE RESEARCH

IRIS Software Group surveyed 166 accountants across the UK during Autumn 2021, about perceived barriers to growth, the nature of the work they do, their current skills and the technology they use.

Alongside this, data from ONS, Dun and Bradstreet and Companies House was triangulated to gain a clearer demographic of the profession as a whole.

Proprietary research was also conducted by IRIS' Market Insights Team, combined with the results of a spot survey which took place during the Accountex Virtual Summit in November 2021.

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WHAT IS KEEPING ACCOUNTANTS AWAKE AT NIGHT?

- › Finding the time to grow

- › The impact of Making Tax Digital (MTD) on change

- › Not enough people, not enough skills

JOIN FORCES WITH THE IRIS
MASTERS OF TIME

Finding the time to grow

One-third of accountants reported that clients are more appreciative of the work they do but have put more pressure on them to deliver advisory work within current fees.

Accountants are becoming more embedded within their clients' businesses, offering support with access to finance, cash flow forecasting and scenario planning, for example. They are also providing aggregated insights from across their client base, but these services must be productised.

One in five accountants said the challenge of keeping their clients' businesses afloat is keeping them awake at night, with **one in four** reporting that they want to introduce more value-added services but are time-poor supporting existing clients' needs.

A similar proportion expressed that finding the time needed to implement their business strategy and market their services was also a significant barrier to growth.

Further information on time to grow can be found on our website

FIND OUT MORE

The impact of Making Tax Digital (MTD) on change

Making Tax Digital is a significant external factor causing stress for accountants.

Over 40%
of surveyed accountants said moving clients to MTD and preparing their own practice for it is a significant source of worry.

Only 25%
of respondents felt they have the right technology and tools to support clients with the transition to MTD.

80% admitted
they do not have regular conversations with clients about how best to implement the change.

The first phase of MTD for ITSA offers an enormous opportunity for accountants, but readiness remains slow suggesting a sluggish appetite for change. Accountants are a critical part of the process of moving to MTD and an aversion to change could prove harmful.

Further information on MTD can be found on our website

FIND OUT MORE

.ıIRIS

MAKING TAX DIGITAL

EVERYONE'S TALKING ABOUT MAKING TAX DIGITAL

We'll help you get it right

✓ Making Tax Digital ready

MTD is the future of tax for all UK accountants, but with different dates to comply with and new regulations to understand it can seem overwhelming. Resources and expertise from IRIS will give you a thorough understanding of what's required of your practice and when, making the transition to MTD much easier.

Get in touch for MTD support

Our experts are here to help you get MTD-ready. Fill in your details below and one of our MTD specialists will contact you shortly.

First Name: *

First name

Last Name: *

Last name

Email Address: *

Email address

Company Name: *

Company name

Not enough people, not enough skills

Nearly half of firms are facing blows to growth amid the ongoing skills and salary war that is raging across the profession.

32% cited
the current skillset in their practice as a barrier to growth in the next 12 months.

49% said
hiring and retaining staff was a significant challenge.

In a 2021 Search Consultancy[4] report,
74% of accountancy practices
said they were 'feeling the strain' from a lack of skilled workers.

This is a considerable challenge at a time when accountancy practices are wishing to expand their services and become more of a growth partner, consultant or virtual CFO for their clients.

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THE CURRENT STATE OF DIGITISATION

The pandemic drove most of the accountancy profession online, with many practices adopting digital, cloud-based tools so they could work from anywhere. The first truly 'cloud-native' accountancy practices were also born, and new firms are now coming into the accountancy market at speed.

For the majority, true digitisation remains a challenge

A view from Steve Cox, Head of Market Insights, IRIS Software

In 2021, a colossal 4,397[i] new accounting firms entered the scene in the UK. These digital-savvy firms are built with time-saving workflows and MTD in mind, to better serve clients.

Before Covid, our data suggested that:

75% of the accountancy profession

was still largely 'analogue' in the way operated (digitally unaware, with mostly manual processes, still using paper and desktop computers).

2.5% of firms were 'truly digital' (around 2,000
firms in total). This has now more than doubled and we believe that the percentage of firms that have remained analogue has now dropped to around **25%**.

The remainder, and majority, of firms, sit in the semi-digitised category – digitally aware, with scanning and document management capabilities, possibly hosted desktops and beginning to embark on automating processes.

i This number represents accountancy practices that were incorporated with the SIC of 692. It may include some existing practices that were split up or restructured.

Respondents to our survey presented a similar picture

Despite the pace of digital innovation in the accountancy sector:

40% of respondents declared they had implemented no new technology in the past 18 months.

15% of firms had implemented practice management tools and only **18%** cloud compliance tools.

23% admitted that they struggle to know where to start in bringing in new technology and only **24%** said they had plans to automate more of their processes over the next 12 months.

Will technology replace or empower the accountant?

A view from Jim Scott, Managing Director for Accountancy, IRIS Software Group

Digital tools enable a practice to be nimble and give the accountant a lens into the client's business, further helping them to provide counsel. However, technology will never be able to replace the insight and guidance an accountant can provide.

Software tools enable a practice to be more efficient. With good data, the software will provide the tools to spot patterns, but it is the accountant that looks through the data and connects the dots.

The accountant holds a wealth of knowledge from their portfolio and is a consultant, growth partner and CFO, not just a source of protection and compliance.

This is what software enables, and we must allow it to do its job alongside yours: not instead of it.

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DISCUSSION AND RECOMMENDATIONS

- Time-saving technology
- Tackling the skills challenge
- Managing the change to digital
- Five ways to promote change

Time-saving technology

Cloud technology, designed specifically for accountants, has become the de facto for new practices thanks to the enhanced efficiency, affordability and ease of use it brings. These digital practices are constantly looking for new ways to use technology to make marginal gains in their performance and profitability.

Cloud-native practices work smarter, automating mundane, inefficient tasks and helping staff base decisions on real-time data. This frees up time for accountants to focus on those higher-value advisory services which attract talent to their firms.

Real-time data powered by cloud technology helps digital accountants stay one step ahead, increasing the touchpoints between all associated parties and widening the scope for additional collaboration.

Integrated cloud technology also anonymously amalgamates the correct data to measure the performance of clients and businesses in the same sector effectively, so firms can understand where their clients are both winning and losing out.

Migrating in time for a change

Marylebone Accountancy Services[5] Director, Gill Harvey, explains that her firm was slowly trying to shift into the cloud, stating:
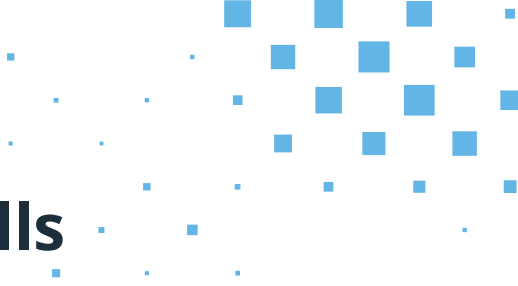
> When Covid came along, we thought we'd better sort this out. We'd faffed about for so long, slowly migrating, worrying about training staff and frightening clients – and then, all of a sudden, we did it all in a week!
>
> Marylebone had what's best described as a hybrid system – we had a server in the office and QuickBooks desktop – but had already switched to Senta for practice management and Taxfiler for compliance, which are in the cloud. I'm so glad we'd made those initial cloud moves, otherwise, I think we would have had real problems when Covid struck.
>
> With Senta, everything could be controlled from wherever required. There was still a lot of hard work, sorting out new systems and procedures as we went along. Covid really pushed us into doing these things and making changes quickly – which also meant redefining processes and workflows with clients.

Tackling the skills challenge

Nicky Goringe Larkin, Founder of Goringe Accountants[6], recently told us, that her firm is:

> " Seeing a real shortage of trained professionals at the moment.
>
> I want to overcome this. Training is key to us and the survival of the practice and the profession. Who will be the senior managers in 10 years' time? There is a talent gap, and we see both the need and potential to grow our own. "

Developing its own talent has become critical for North-west-based practice NR Barton Chartered Accountants, which established its own training academy, spanning entry-level roles right through to professional qualifications.

> "The world of accountancy is changing and evolving all the time, so the academy is essential to the future of the practice. We had realised this some time ago, but the pandemic certainly prompted us to accelerate our plans and bring trainees in over the summer to build the academy. We spotted certain skills gaps within the team. We knew that bringing trainees through was vital, and the programme is proving so successful. We are growing our own accountants here!
>
> **Neil Whittingham,
> Director, NR Barton Chartered Accountants[7]**

Another practice putting an emphasis on developing talent in-house is Milsted Langdon[8] who recently revealed it had made seven promotions in one go.

> We now have many Directors and Partners who have trained with the firm and risen through the ranks to the top of the profession.
>
> **Rachel Hotham,**
> **People Partner at Milsted Langdon**

Is seeking to nurture in-house talent and building graduate and trainee programmes the way forward?

What else can accountants do to combat 'The Great Resignation'?

Employees now expect different working experiences and styles to pre-pandemic standards. The industry must create a culture with flexibility and hybrid working at its heart to attract and retain the best talent.

Importantly too, firms need to empower teams with the best software to help them thrive wherever they choose to work.

New starters, and even many who have been in the profession a while, expect consumer-like technology in the workplace and won't think twice about leaving for a digital-first firm if technology and culture don't meet their expectations.

Managing the change to digital

Paul Crichton, MD of Dundee-based MMG Archbold[9] now markets his business as a tech-driven, forward-thinking accountancy firm.

> We knew we needed to move from an input to an output-driven approach and were aware that many new entrants were coming into the market and using all the tech. We needed to become one of them.
>
> Now, we can do more with fewer people and our business is focussed on the set-up and management of the entire finance function for clients, rather than just processing the books and VAT.
>
> We can offer end-to-end advisory. From an app on my phone, I can book in new clients and align proposals to workflow management, right through to billing. And I have an accurate profitability and utilisation dashboard for staff.

Paul explains further that they had some teething problems in rolling out their new digital tools, and they don't feel they managed the change 100% perfectly.

> " I believe it's very much about learning along the way.
>
> Staff needed to engage with the tech, and some behavioural change was required. We will continue to evaluate new technology, to improve all aspects of our business – it doesn't end here. "

Digital transformation requires people to change how they think and operate.

With a new way of working, there will always be those who are nervous, resistant and unwilling to accept a new world.

One of the most crucial areas of change management is dealing with the psychology behind change. In essence, digital change is about managing the people side of the project.

In most change projects, organisations often start with knowledge, training people on the system and new processes. But before introducing staff to new tools, two crucial areas need attention: awareness and desire.

Why should I bother with the change?
Why are we changing? What's in it for me?

## These are all questions your employees are thinking.

Our research found that at the best of times, **74% of staff** feel disconnected to what's going on in a change project.

To resolve these worries, it's important to reduce resistance by increasing knowledge and awareness of the project, making sure staff are a part of the project early on, helping them understand the purpose.

The next step is to solidify the work to be done, promoting the benefits and cementing people's desire. You want the original 'why's and what's' to change into 'I'm interested, I understand the reason and I'm up for doing this'.

With any change project, you essentially have a small percentage who can't wait to try the newest tools, the majority in the middle that come around once the concept is proven and a small number of laggards who are against any form of change.

As part of any change management initiative, the goal should be to sway the majority in the middle and the laggards, by utilising awareness and desire.
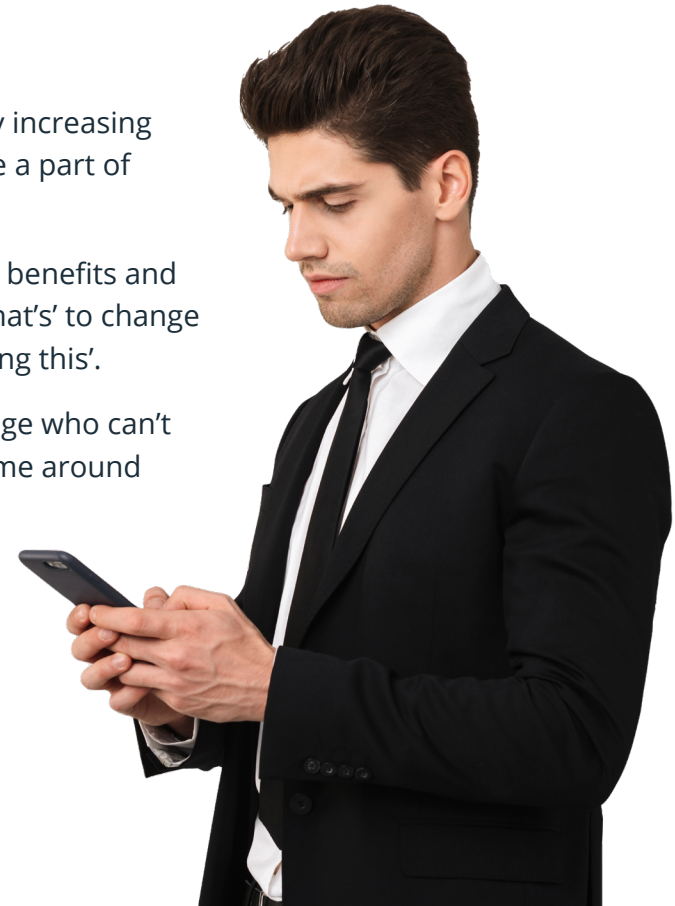
Five ways to promote change

1

UTILISE COMMUNICATIONS

Build a communication plan that outlines your messaging, what you're sending, when you're sending, how often you'll send and to whom you'll be sending. It's important to consider not just your clients (external customers) but your staff (internal customers) too.

2

BUILD A CHAMPION GROUP

Recruit people from your organisation that sit in the early and late adopters category to be 'champions' in the project; look after them and provide them with knowledge and time in their days to learn.

3

LEARNING

Once you've built awareness and desire, it's time to educate all staff on the new tools. High-quality learning is fundamental to ensuring people know the procedure and let go of the old ways.

4

RECOGNITION

Celebrate successes and achievements. By showcasing the highs, those resistant to change get a glimpse into the possibilities, helping shift their perception.

5

ACCEPT FEAR

Be realistic about your change – there will undoubtedly be fear, but once you accept that, you're in a much better place to address it.

CONCLUSION

In the face of fierce competition, many accountants are working unsustainably long hours to meet their clients' expectations on price and service levels.

This needn't be the case. Many time-consuming tasks can be automated, freeing up resources to develop higher-value services, win new business and strike a healthier work-life balance.

Though digitisation should not be viewed as a silver bullet for struggling practices, the right digital solutions can help drive productivity, attract new talent and make your practice more competitive.

With MTD for ITSA fast approaching, there's no time like the present to review systems and processes.

Systems and processes

Forbes Technology Council reported on the four factors that will ensure technological solutions are future-proofed for all business types.

These factors include:

1   API-LED CONNECTIVITY

Application programming interfaces (APIs) connect apps and data systems so different systems can be used through a single, connected platform to prevent data silos.

2   MACHINE LEARNING AND ARTIFICIAL INTELLIGENCE

This offers an opportunity to automate manual processes and save time. It is possible to set up operations to identify issues such as fraud, for example.

3   DEVOPS

DevOps is a way of framing the maturity of the technology within a practice. This can stretch from not knowing what needs addressing to being able to instantly recommend updates and upgrades.

4   CLOUD

The ultimate sign of flexibility and agility is whether it is underpinned by cloud infrastructure, allowing on-demand access to data and enabling firms to be 'nimble and adaptable'.

As noted in CMS Wire in March 2021[10],

> **The traditional, megalithic, on-premises infrastructure solutions, typically deployed in most organisations, are ill-equipped for a future that requires flexibility and scale to operate in.**

Traditional systems require too much time to manage and use. They lack the scale and flexibility to be effective in a rapidly changing world.

Accountants are in the position to be able to evolve and diversify their service offerings. Those who are able to seize the opportunity will become even more embedded within their clients' businesses. Those who aren't, may, over time, become irrelevant.

Why choose IRIS?

IRIS Software Group is the largest privately-owned software supplier in the UK and one of the most trusted accountancy software providers in the UK, today.

With over 40 years of experience in the sector and powered by accountants, no one understands the needs of practices or accountants better.

IRIS' market-leading accountancy software significantly increases your practice's efficiency and productivity. Our suite of software products are designed to make your life easier, across practice management, accounting and compliance.

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IRIS. Look forward

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