THOMSON REUTERS INSTITUTE

2024 State of Tax Professionals Report

A renewed focus on business dynamics and action plans

Executive summary

Tax & accounting firms and their clients spent much of 2023 bracing for a recession that never came, interest rates that didn't come down dramatically, and several other economic predictions that failed to materialize as expected. Having weathered these waves of post-pandemic anxiety, many tax & accounting firms are now shifting their attention back to business fundamentals. Indeed, 2024 is shaping up to be a year of re-assessment and re-building — a year in which firms take stock of their strengths and weaknesses, and move forward with concrete plans to fortify their operations against the inevitable uncertainties to come.

In general, this means accounting firms are spending the year:

- continuing efforts to streamline operations wherever possible
- finding ever more elusive efficiencies (chiefly through automation)
- hiring and training the best people available
- taking steps to improve client quality (though not necessarily *quantity*)
- expanding service offerings to meet client needs
- exploring alternative pricing models to boost revenue

To understand these developments more deeply, the Thomson Reuters Institute has published the *2024 State of Tax Professionals Report*, based on an extensive survey of tax & accounting firm professionals.

As our survey showed, this renewed focus on business dynamics in 2024 was reflected in a modest re-shuffling of priorities:

2024 Top priorities

1	Efficiency & automation
2	Talent retention & hiring
3	Pricing & revenue
4	Client services
5	Firm growth & strategy

2023 Top priorities

1	Efficiency
2	Client service
3	Growth
4	Talent

Driving efficiency remains the top strategic priority in 2024, as it was in our last survey. What has changed since then is a broader acceptance of automation and an increasingly keen interest in how various artificial intelligence (AI)-enabled tools can streamline workflows and improve overall operations.

Talent re-asserted itself as a priority this year. Following the *Great Resignation* and a period of reflection about hybrid work environments and how best to appease younger workers, many tax & accounting firms are now directing more of their energies toward hiring, training, and retaining quality people, as well as cultivating a healthier, more sustainable work culture.

Pricing appears on this year's top priorities list for the first time ever, largely because the wisdom of hourly billing is being questioned by both clients and their firms. Many clients don't like hourly billing because it is unpredictable; hence the rise in flat-fee and project-based pricing, among other alternatives types of pricing. Firms, too, have come to realize that hourly billing doesn't necessarily capture the true value of their services, particularly in the areas of business consultation, tax strategy, and decision support.

Client service dropped somewhat on the list, relative to other priorities this year, but expanding service offerings has nevertheless become a competitive imperative, especially for midsize accounting firms trying to compete with larger firms that have more resources. Clients who want advisory services in addition to simple tax preparation are driving this trend — but at the same time, many firms also need to change their business models to offset lost revenue from the encroachment of automation and AI into basic tax preparation.

Growth may have slipped down the priority list; but then again, lack of growth hasn't been a problem for most firms either. Indeed, a majority of firms reported an average revenue increase of 24% over the past 12 months. So whatever firms are doing, it's still working. However, finding ways to grow organically — by expanding or improving the client base, strategic deployment of automation and AI, and obtaining more work from existing clients — remains a strategic priority at those firms that have a growth strategy. By firm size, midsize accounting firms are more likely to seek growth by expanding their client base, whereas larger firms continue to view intelligent deployment of technology and automation as a primary growth driver.

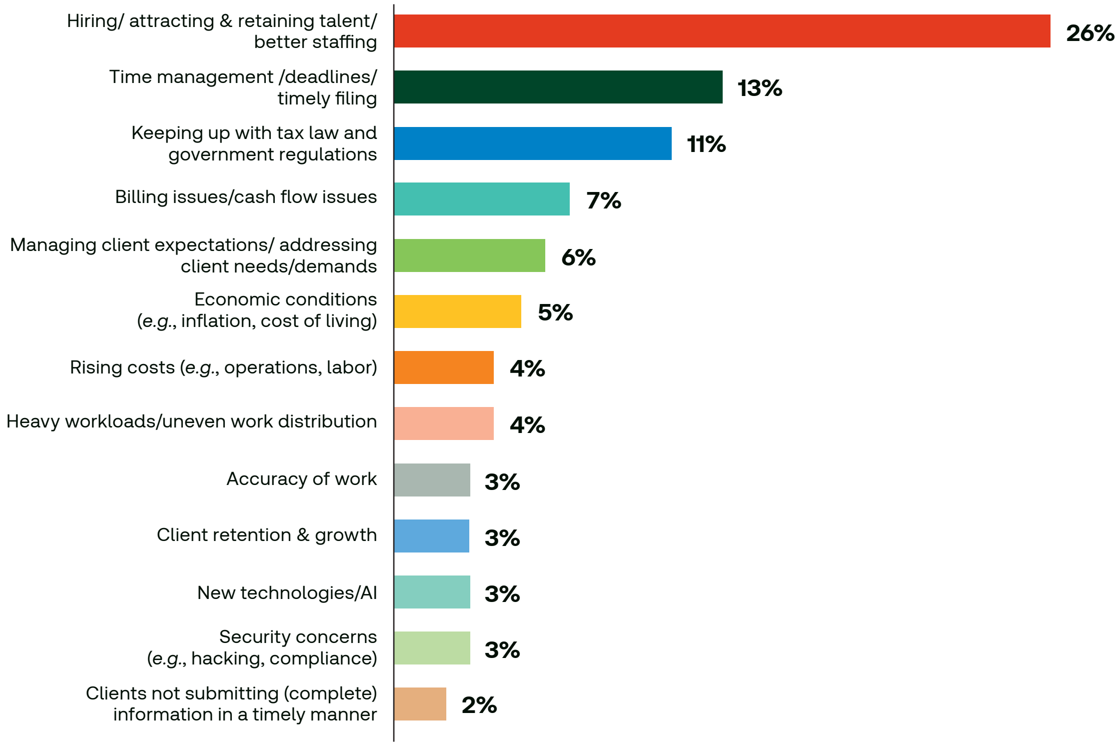
Top issues and challenges

Among the top challenges tax professionals say they are facing in 2024 are:

- a shortage of talent with the necessary tax and technical skills
- lack of time to meet deadlines and file taxes in a timely manner (which, to leaders, translates as a need for better time management)
- staying on top of changing tax rules and regulations (due to time constraints and the ever-evolving nature of the tax code)
- billing and cash flow issues

FIGURE 1:

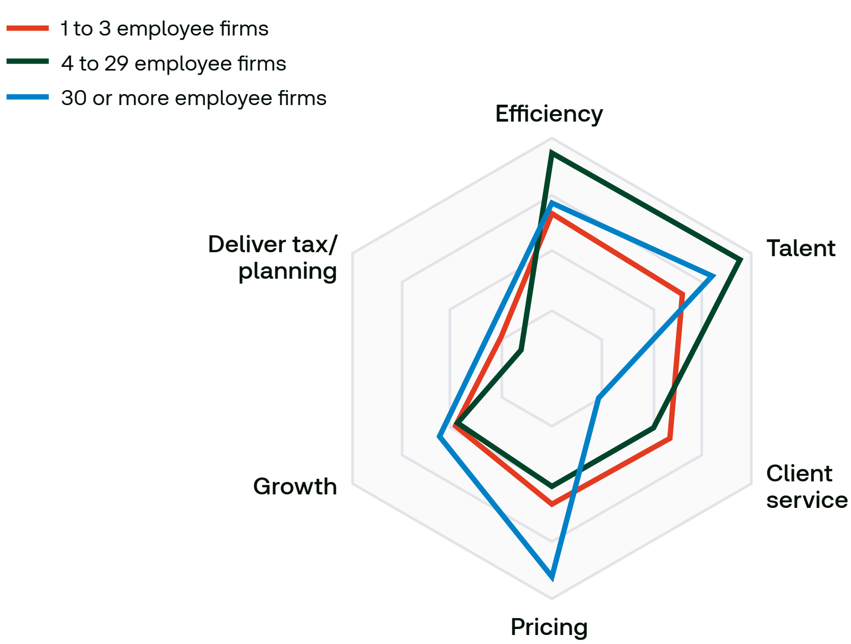
Top firm-related issues/challenges



Source: Thomson Reuters 2024

FIGURE 2:

Strategic priorities by firm size: 2024



Source: Thomson Reuters 2024

In 2024, firms of different size weighted their priorities somewhat differently:

- **Small firms (1-3 people)** tended to lean in the direction of maintaining the status quo, preferring a more balanced approach to prioritization.
- **Midsize firms (4-29 people)** were much more likely to pursue talent development as a priority and drive efficiencies through streamlined workflows and aggressive use of automation.
- **Large firms (30-plus people)** had the resources to pursue multiple priorities at once, including talent development and growth through efficiencies found using more sophisticated technology and automation. Large firms were also more likely to explore different pricing strategies for the broad range of business services they offer.

Methodology

Surveys for the *2024 State of Tax Professionals Report* were conducted in the first quarter of 2024.* The survey involved 500 respondents from tax & accounting firms of all sizes, although a bit more than half (51%) of respondents were from midsize firms (4-29 people), and 38% were from small firms (1-3 people). By region, slightly more than half (51%) of respondents were from firms in the United States; the rest were from firms in the United Kingdom, Canada, Australia, Brazil, and Argentina.

Also, 60% of the respondents were male, and the age range of all respondents was represented relatively equally by decade, from under 40 years old to over 60 years old. The vast majority (85%) of respondents reported having leadership roles in their organization, and almost half (48%) were either partners or principals.

Priority 1: Efficiency & automation

As was observed in our last report, driving efficiency continues to be the top strategic priority for 2024, especially at midsize firms, at which efficiency gains are seen as a way to boost productivity. Indeed, improving efficiency and increasing productivity often go hand in hand, although they are not quite the same thing.

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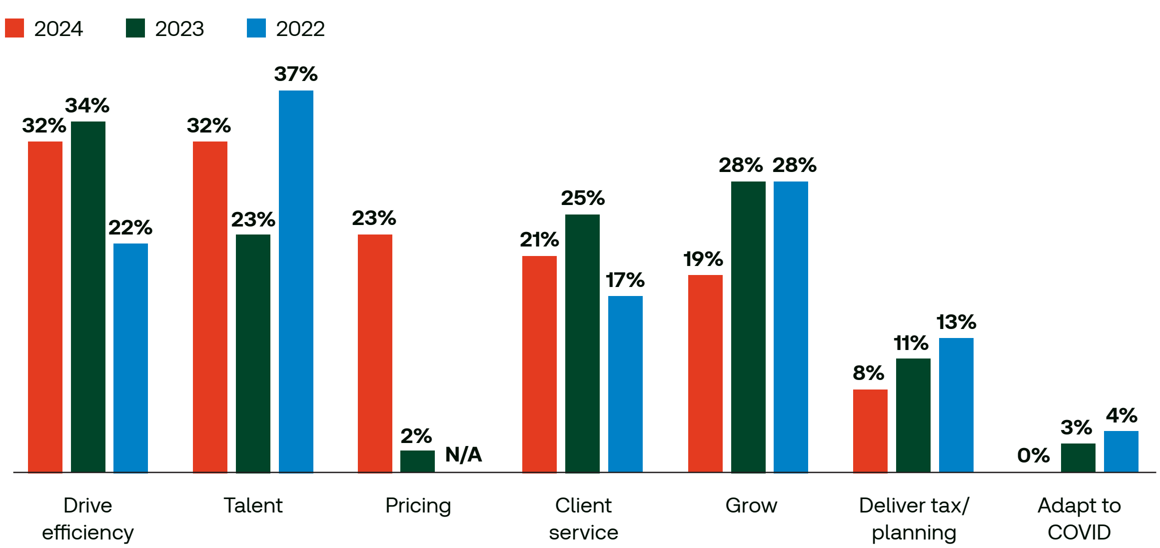
Efficiency is typically aimed at streamlining processes and workflows, often with the help of technology; whereas productivity gains can be accomplished any number of ways, including better training, hiring superior talent, improving communication, management expertise, incentive programs, a motivated work culture, alignment of worker skills and goals, idea-sharing, team-building and collaboration — the list goes on. Which is to say, driving efficiency is one way to boost productivity, but it is not the only way.

Nevertheless, efficiency (by whatever means) remains the top strategic priority for firms in 2024, with around one-third of respondents (32%) citing it now as did in our 2023 report (34%).

FIGURE 3:

Strategic priorities: year over year comparison



Source: Thomson Reuters 2024

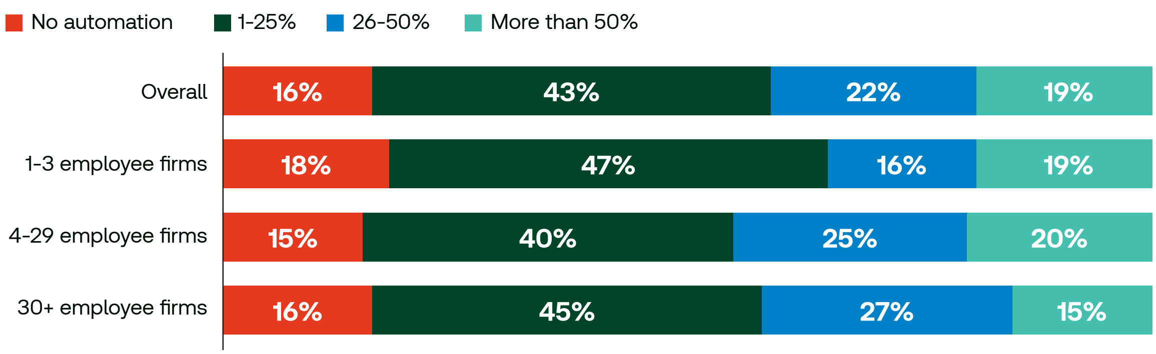
Automation

Over the past few years, one of the most common ways for tax & accounting firms to create more efficient processes has been to introduce some measure of automation. Routine manual tasks, audit documentation, and back-office functions such as procurement and accounts payable are typically the first processes to get automated. However, larger firms also use automation to help manage the enormous amounts of data that complex corporate tax returns now generate.

FIGURE 4:

Proportion of tax process automation

% of respondents



Source: Thomson Reuters 2024

Though most firms automate some portion of their tax processes, small firms use automation the least. An average of 43% of firms overall only automate 25% or less of their tax processes. Midsize firms use automation the most, relative to their workload, with one-quarter of firms automating between 26% and 50% of their processes, and 20% automating more than half.

Larger firms are not far behind, however, with 27% automating between 26% and 50% of their processes, and 15% automating more than half. Large firms also tend to offer more business advisory services, which are hard to automate, however, so the percentage of automation used by large firms relative to their total workload may be a bit lower.

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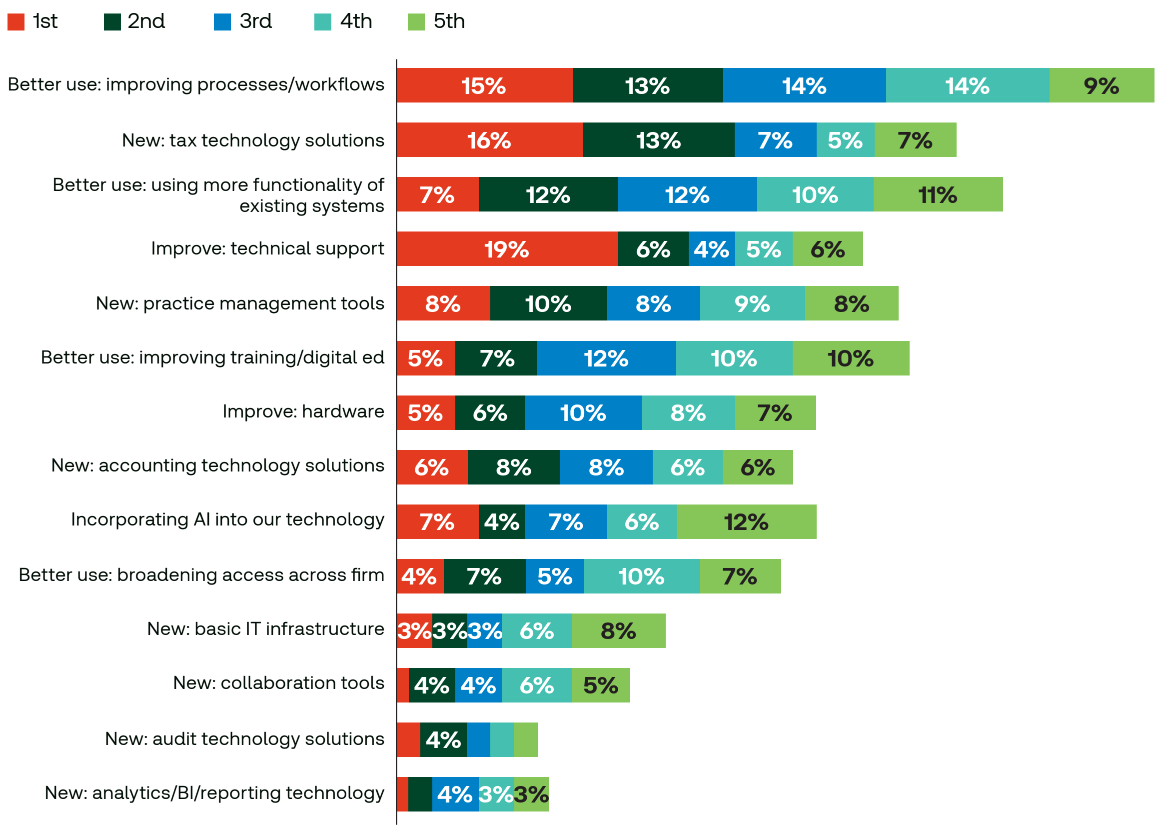
This year's survey also included respondents from Argentina and Brazil, who reported that their firms tend to have higher levels of automation than other countries in our survey. Indeed, firms in these countries report automating more than 40% of their tax workflow processes, which is twice the level of automation found in most other regions.

Investment priorities

A clearer picture of how firms intend to use technology to make their operations more efficient can be seen from looking at to what areas firms are directing their investment dollars.

FIGURE 5:

Top investment priorities (ranking)



Source: Thomson Reuters 2024

Overall, when asked to rate their investment priorities over the next two years on a scale of 1 to 5, the priorities most often mentioned were improving processes and workflows and investing in tax-technology solutions. In fact, two-thirds (66%) of respondents said their firms were going to be streamlining their processes over the next two years, and 47% said they were eyeing new technology solutions, up from 41% in 2023.

More than half of respondents (52%) said that squeezing more functionality out of existing systems was a top investment priority, down from 67% in 2023 — an indication perhaps that more firms are either upgrading their systems or are content with the systems they already have. Smaller firms were more likely to want their current systems to deliver more, whereas larger firms were more likely to prioritize investments in IT infrastructure.

Along with IT upgrades, improved technical support was also high on the list of investment priorities, with 40% of respondents overall referencing the need for more support, down from 30% in 2023. Other top investment priorities included new practice-management tools and better training in digital technologies. Interestingly, Australian firms were more likely to invest in tools for accounting and analytics, while Latin American firms were more likely to prioritize new collaboration and analytics tools.

Meanwhile, firms in the US, the UK, and Canada appear to be more focused on improved training and digital education, which also happen to be effective ways to maximize the potential of any given software system. Despite the interest in education from these specific countries, however, the overall number of firms citing better training as a priority dropped to 45% in 2024, from 58% in 2023.

Artificial intelligence (AI)

One option for improved process efficiency not considered in our 2023 survey was the incorporation of AI, interest in which has exploded over the past 18 months. By contrast, 35% of respondents to this year's survey said their firms would be investing in some form of AI over the
next two years, although few (7%) cited AI as a top investment priority.

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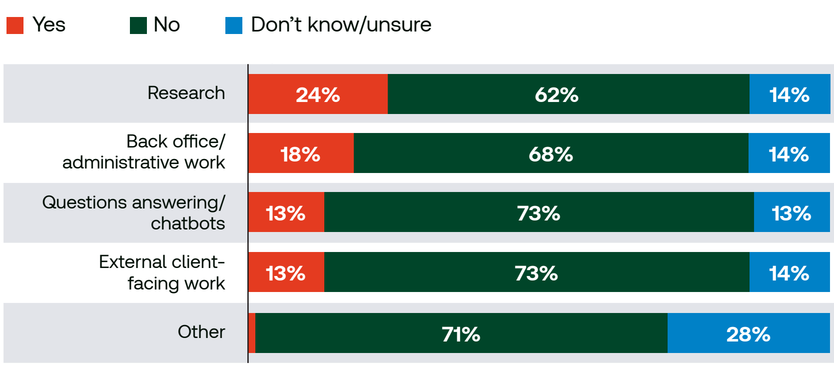
FIGURE 6:

Use of AI technology solutions



% Yes	1-3 Employee Firms	4-29 Employee Firms	30+ Employee Firms
Research	23%	25%	22%
Back office/ administrative work	16%	18%	24%
Questions answering/ chatbots	11%	15%	15%
External client-facing work	11%	15%	13%
Other	1%	1%	5%

Source: Thomson Reuters 2024

Indeed, use of AI solutions is still relatively low at most tax & accounting firms. Fewer than one-quarter (24%) of respondents said their firms use AI at all; and among those that do, the most common usage was for research. Back-office of administrative work was the next most common use for AI, although its use for administrative purposes such as accounts payable/ receivable and payroll was slightly more prevalent at large firms than at small ones (at a rate of 24% and 16%, respectively).

Use of AI solutions is still relatively low at most tax & accounting firms.

Chatbots evidently haven't caught on at tax & accounting firms, either. Only 13% of respondents said they use some form of AI to answer customer questions through a chatbot, although encountering a bot is slightly more likely at midsize and large firms. There is an equal amount of reluctance to use AI for any external, client-facing work, however, this may soon change as AI is inevitably incorporated into the everyday tools that firms use to serve their clients.

The TR Institute's View:

Interest in improving technological capabilities and using automation to achieve greater efficiencies is relatively high at most firms, but practical usage scenarios for AI are still in the incubation phase.

Priority 2: Talent — retention & hiring

The need to recruit, hire, train, and retain high-quality talent has become a perpetual sore spot for tax & accounting firms of all sizes. An overall decline in the number of accounting graduates has taken its toll, certainly, as has the fact that many potential candidates with an accounting degree are opting to go into professions that pay more, demand fewer working hours, and offer greater work/life balance and flexibility. Consequently, competition to find and keep good people is fierce, and shifts in both work culture and employee expectations have forced many accounting firms to adapt.

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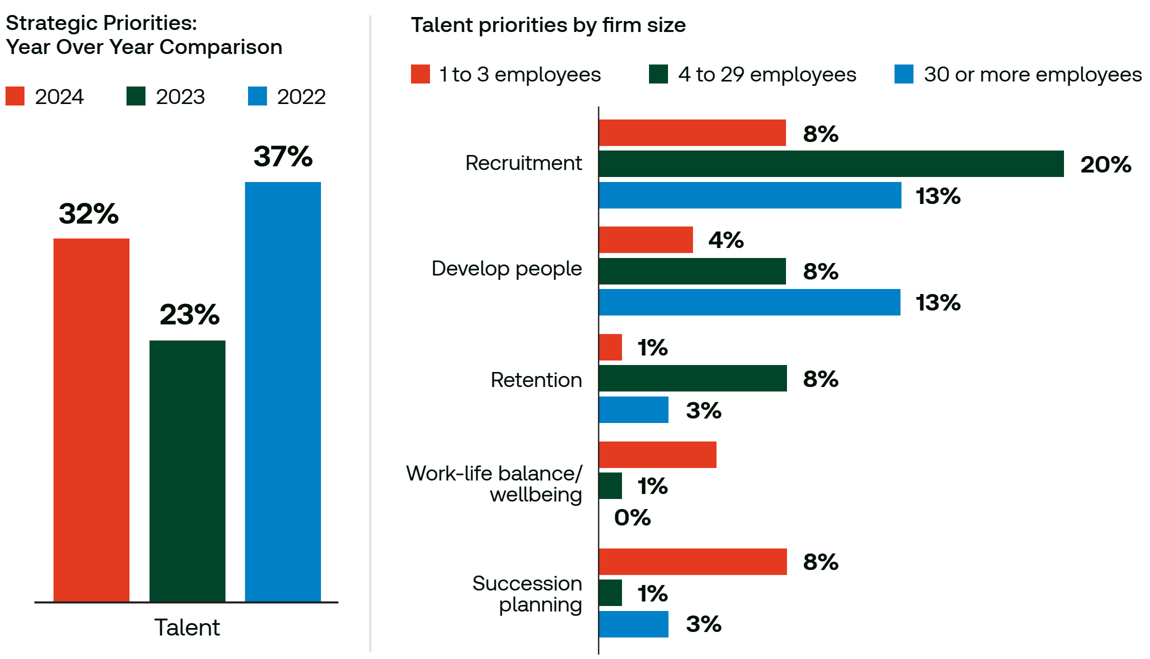
Finding people with the requisite tax experience and technical skills is perhaps the most daunting challenge that firms face today, especially when it comes to filling senior positions. In answers to open questions in this year's survey, respondents noted a need to "recruit more talented individuals to work in-house to help with workflow," and the desire to "create a solid employee base to maintain and grow the practice." Others cited hiring, training, and "developing better benchmark compensation incentives" as priorities for the coming year.

The talent puzzle

FIGURE 7:

Talent priorities



Source: Thomson Reuters 2024

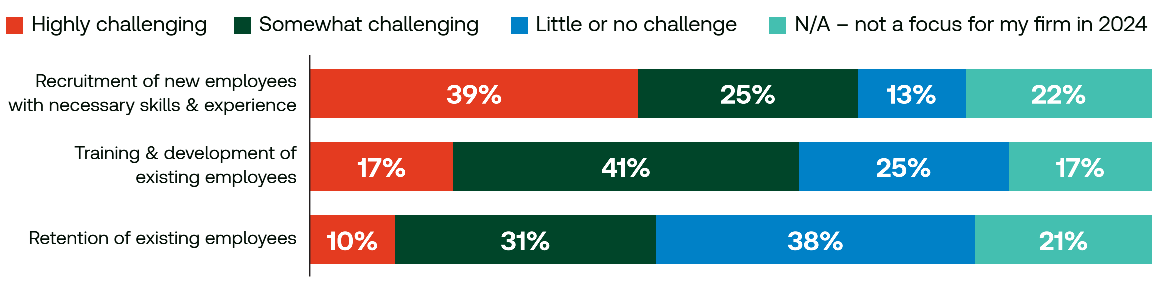
The hunt for quality talent has always been a key priority in past surveys, although its position relative to other priorities tends to fluctuate. As the world emerged from the pandemic in 2021, for example, talent was rated the highest priority, with 37% of respondents elevating it to the top spot. The following year, talent concerns dropped to the No. 4 spot in our priority list, with 23% of respondents citing this, behind efficiency, client service, and growth — possibly because so much energy was devoted to the workforce in 2020, the first year of the pandemic.

In 2024, talent rebounded into the No. 2 slot, with almost one-third (32%) of respondents citing hiring and development as a top priority. In terms of individual aspects of the talent puzzle, recruitment was listed as the most important priority, especially at midsize accounting firms. Large firms were more likely to cite development and training as their top priorities, and retention was more of a concern at midsize firms, at which senior personnel are often lured away by more enticing opportunities.

Recruitment & training

FIGURE 8:

Anticipated challenges for 2024



Source: Thomson Reuters 2024

When respondents with leadership positions were asked what challenges they face in 2024, recruitment of new employees with the necessary skills and experience was the most common answer. In fact, 39% of respondents said recruitment in 2024 was likely to be *highly challenging*, followed by another 25% that said they thought it would be *somewhat challenging*.

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Meanwhile, 58% of respondents said they thought training and development of existing employees would be either *highly* or *somewhat challenging*, and 41% said the same about retention of existing employees.

Maximizing retention

Indeed, once a tax & accounting firm has hired quality personnel, the subsequent challenge then becomes managing, motivating, and mentoring new employees in such a way that they won't want to leave.

Strategies abound for improving retention in today's evolving work landscape, but according to our survey, the No. 1 strategy for keeping employees content is still the most basic: *Pay them more.*

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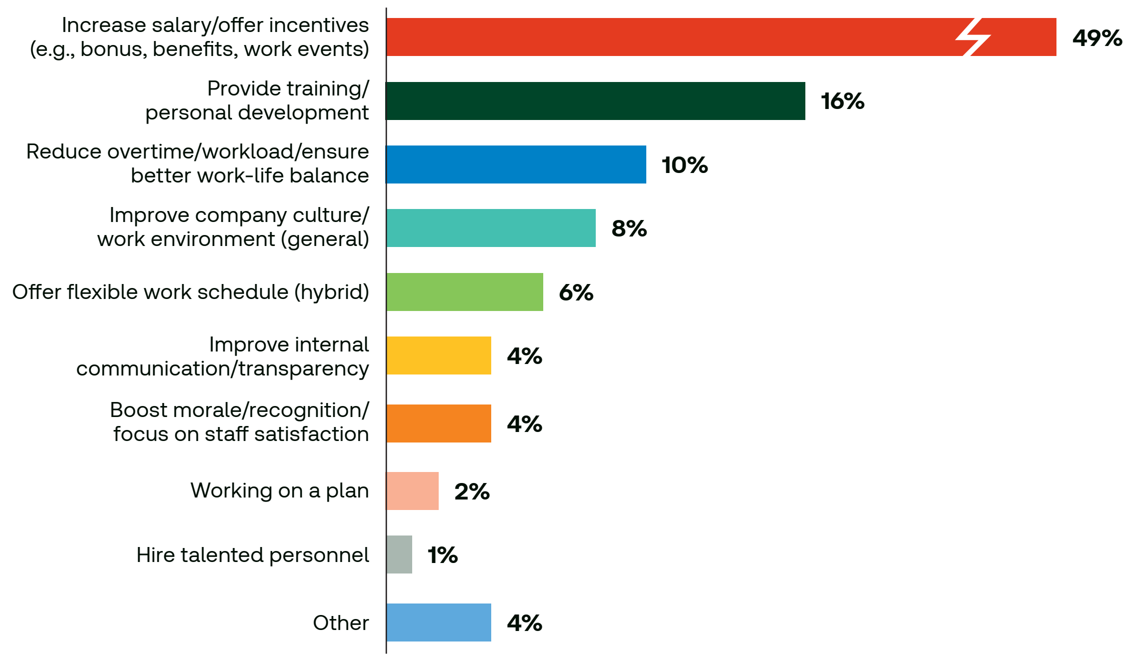
When asked how their firms intended to maximize retention in 2024, almost half (49%) of respondents said their strategy was to increase salaries and offer other incentives such as bonuses and better benefits. Only 16% said their retention strategy would focus on training and personal development, and 10% said they planned to reduce overtime and other workload requirements to help ensure a better work/life balance.

FIGURE 9:

Planned strategies for maximizing retention in 2024



Source: Thomson Reuters 2024

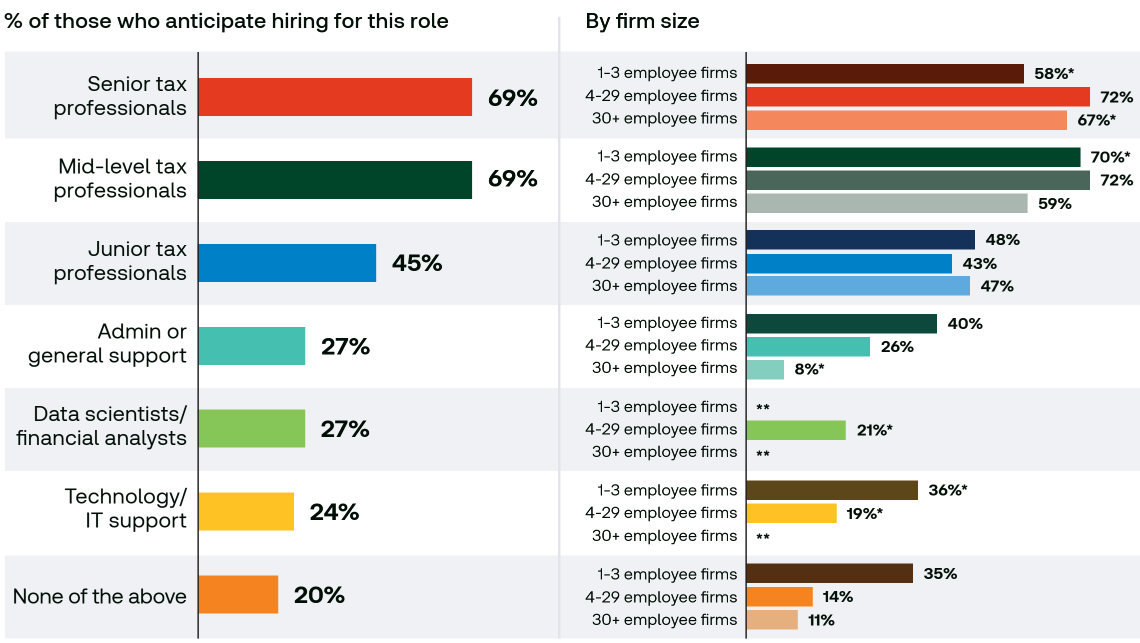
Filling senior roles

Still, the most difficult roles to fill continue to be senior and mid-level tax professionals. Competition for experienced pros — particularly those with leadership and managerial experience — is especially acute at midsize firms, at which 72% of respondents said they anticipate hiring difficulties. Overall, an average of 45% of respondents said they expect that hiring junior associates will present some challenges, and 27% thought they might encounter issues in hiring administrators or general support staff.

> The most difficult roles to fill continue to be senior and mid-level tax professionals.

FIGURE 10:

Difficulty filling roles



*Smaller sample size. **Data not shown due small sample size.

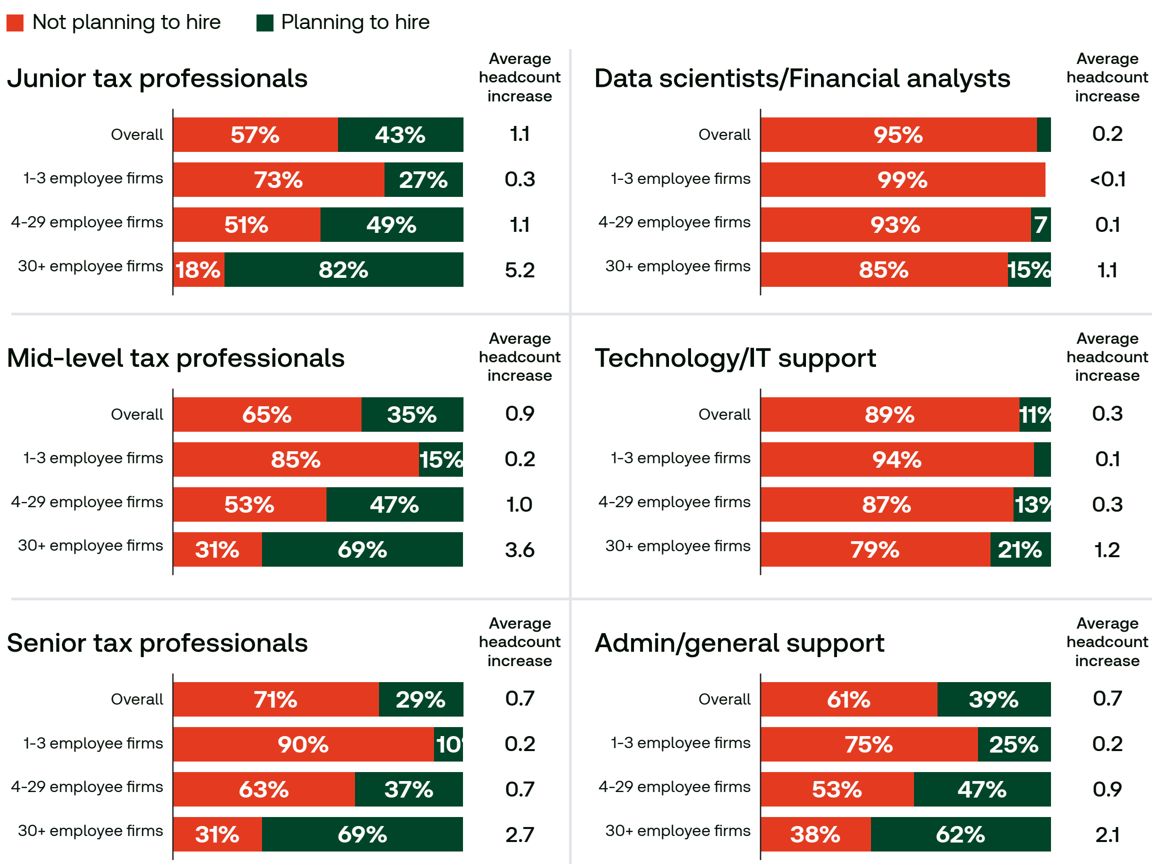
Source: Thomson Reuters 2024

Hiring: good news (and bad)

The good news in 2024 is that many firms are hiring; the bad news is that they are mostly hiring to fill vacant positions, not add to their overall employee head count.

FIGURE 11:

Plans to hire by role



Source: Thomson Reuters 2024

As usual, large firms are doing the bulk of the hiring at all levels. In firms with 30 or more people, 82% of respondents in leadership positions reported that they would be hiring junior tax professionals in 2024 and adding an average of 5.2 people to their staffs — by far the largest cohort. And more than two-thirds (69%) of respondents at large firms also confirmed that they would be hiring senior and mid-level tax professionals, as well as increasing their headcount by 2.7 and 3.6 people, respectively.

Alas, the job prospects at large firms for data and financial analysts and IT and tech support are much dimmer. Only 15% of respondents said their firms were planning to hire any analysts in 2024, and only 21% said they would be looking for IT personnel. Those candidates in search of administrative careers may have better luck, however, as almost two-thirds (62%) of respondents at large firms said their firms need administrative support and will be adding an average of 2.0 such positions to their headcount.

Jobs can still be found at midsize firms, but only about half (49%) of respondents at those firms said they would be hiring additional junior tax professions and mid-level professional (47%), while 37% said they would be seeking senior tax professionals. Candidates looking for data and financial analysts and IT and tech support jobs won't find much employment at midsize firms either. Only 7% of respondents from midsize firms said they are hiring analysts, and a mere 13% are looking for more IT support. Once again, however, administrative support personnel are in high demand, with almost half (47%) of midsize firm respondents saying their firms are hiring in those areas.

At smaller firms, the only tax professionals likely to be hired are in the junior ranks, with more than one-quarter (27%) of respondents from small firms saying their firms are hiring, and at the mid-level rank only 15% are hiring. A few administrators may find work at smaller firms, but only one-quarter (25%) of respondents from small firms said they will be hiring support staff in 2024.

Filling skills gaps

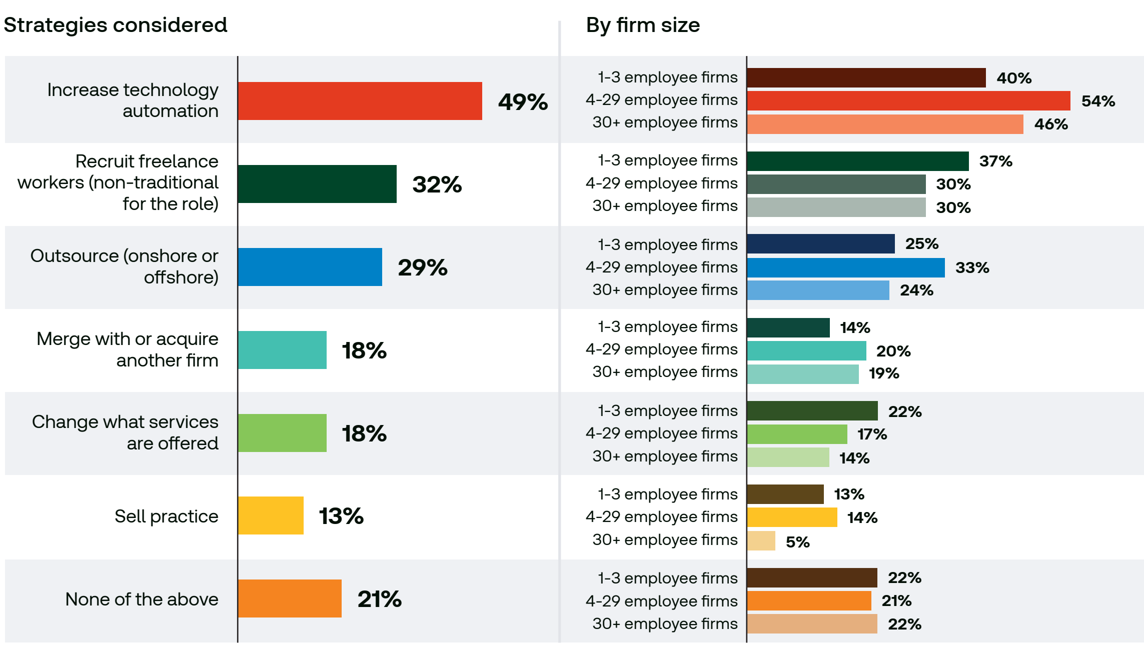
Given the challenges of finding qualified personnel in so many roles, many respondents from tax & accounting firms said they are also considering a variety of strategies to address the gaps in their workforce.

Almost half (49%) of respondents said that increasing the use of automation is an option if they cannot fill certain roles, and 32% said they would consider recruiting freelance workers.

Almost half (49%) of respondents said that increasing the use of automation is an option if they cannot fill certain roles, and 32% said they would consider recruiting freelance workers. Outsourcing — either onshore or offshore — was another possibility that almost one-third (29%) of respondents said they would consider.

FIGURE 12:

Challenges in filling the skills gap



Source: Thomson Reuters 2024

The TR Institute's View:

Finding and keeping quality talent will continue to be a challenge for tax & accounting firms everywhere. Investing in the people a firm already has — either through salary hikes, additional training, or improved work culture — can pay huge dividends, but in the future many firms may need to lean on automation and outsourcing to fill skills gaps.

Priority 3: Pricing and revenue

Pricing barely registered as a priority in past surveys, but this year vaulted into the No. 3 slot on the strength of 23% of respondents who referenced their pricing model as a top priority. Such a dramatic jump suggests that the trend away from hourly billing has gathered steam to the point at which pricing models have become a strategic tool in the never-ending quest to boost revenue.

Plenty of tax & accounting firms still offer hourly billing, of course, but many clients have expressed a desire in recent years for more predictability in the pricing of their accounting firm's services. Firms themselves have responded by offering a creative smorgasbord of pricing models, from project-based and flat-fee pricing to market-value pricing, value-based pricing, retainers, and a host of other models.

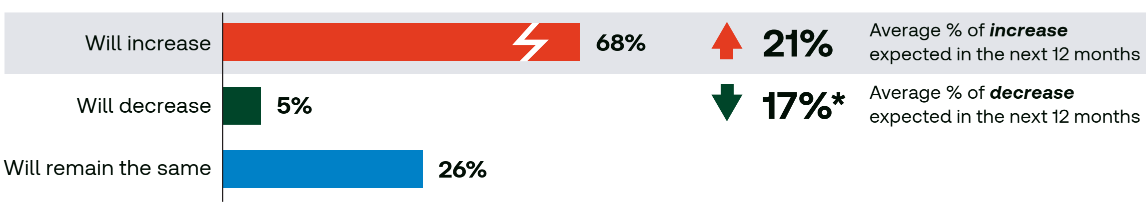
> Pricing models have become a strategic tool in the never-ending quest to boost revenue.

Rising revenues

The irony of all these different pricing models is that while clients would presumably prefer a model that provides predictability and saves them money, firms themselves have successfully used these models to raise prices and increase their revenues.

FIGURE 13:

Expected change in firm revenue over next 12 months



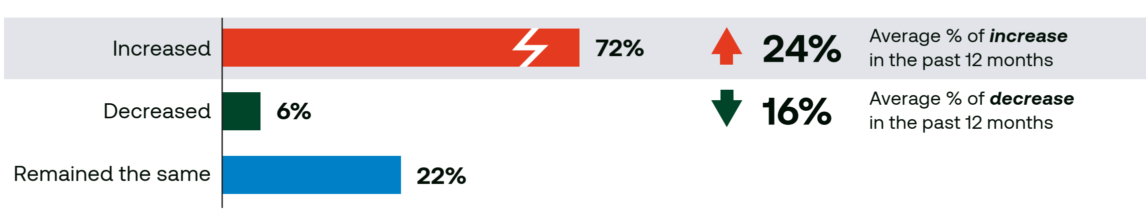
*Small sample size, interpret with caution

Source: Thomson Reuters 2024

In fact, more than two-thirds (68%) of survey respondents said they expected their firms' revenues to increase over the next 12 months, by a hefty average of 21% — which is the same expected increase as last year. Only 5% of respondents said they thought their firms' revenues would decrease in the coming year, and everyone else (26%) predicted a comfortable status quo.

FIGURE 14:

Change in firm revenue over past 12 months



Source: Thomson Reuters 2024

Results from the past year are even more impressive. Overall, 72% of respondents said that their firms reported increased revenue over the past 12 months by an average of 24%, outpacing last year's expected growth rate (21%) by three percentage points.

Pricing as strategy

Changes in pricing models are only one piece of the revenue puzzle, of course, but the changes themselves are indicative of broader trends in the tax & accounting profession. As more routine tax work gets automated and more firms diversify their service offerings, particularly advisory services to businesses, many firms are concluding that hourly billing does not necessarily harness the true value of the services they provide.

For example, a meeting with a multinational client might only last an hour, but if a million-dollar problem is solved in that meeting, charging $1,000 for that hour doesn't make sense when, using value-based pricing, that same hour might be worth $50,000.

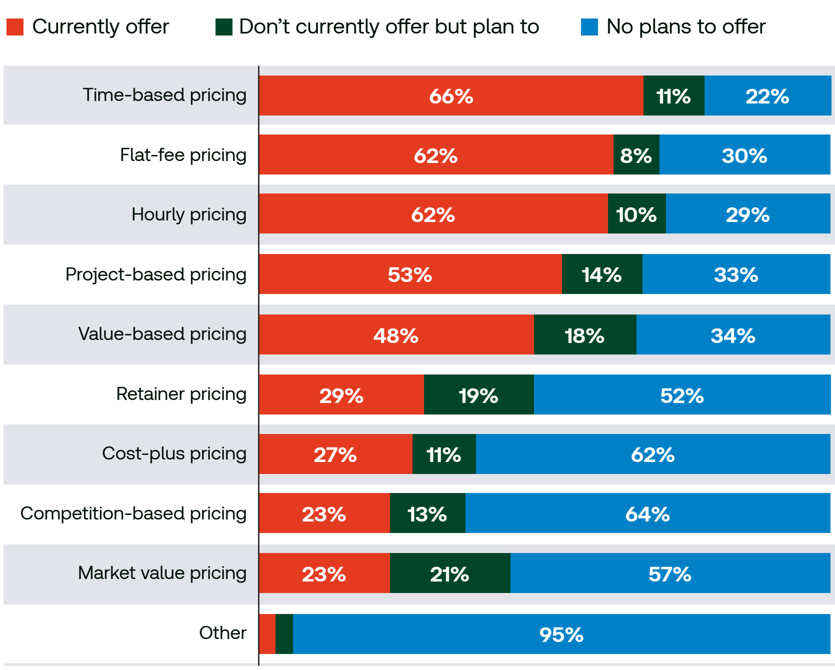
As a revenue-generating strategy, however, pricing is also being coupled with other trends toward culling low-value clients, working hard to attract higher-value clients, and introducing existing clients to additional business advisory services — services that may be provided under a different pricing model. Now, these two converging trends are combining with aggressive efficiency initiatives that account for the bulk of recent revenue increases, which have been more robust than almost anyone expected a few years ago.

Pricing models

However, if a firm isn't billing by the hour, the question is: How should it bill?

FIGURE 15:

Pricing models offered



% Currently offer

	1-3 Employee Firms	4-29 Employee Firms	30+ Employee Firms
Time-based pricing	59%	68%	84%
Flat-fee pricing	64%	59%	73%
Hourly pricing	56%	64%	75%
Project-based pricing	46%	55%	69%
Value-based pricing	44%	48%	64%
Retainer pricing	24%	27%	58%
Cost-plus pricing	19%	31%	35%
Competition-based pricing	17%	25%	36%
Market value pricing	17%	24%	36%
Other	2%	3%	4%

Source: Thomson Reuters 2024

The answer is complicated and depends on a variety of factors, including firm size, service offerings, and client preferences. And the fact is, despite the growing dissatisfaction with hourly billing, two-thirds (66%) of respondents said their firms continue to use hourly billing or its close cousin, time-based pricing, both of which tie service costs to the time spent on a task. Further, about 10% respondents said their firms intend to *add* hourly pricing, particularly smaller firms that are expanding their service offerings beyond personal tax returns.

In response to client demands for more predictable pricing, however, many firms are also providing flat-fee pricing (with 62% of respondents saying their firms are offering this) and project-based pricing (53%), both of which give clients the certainty they crave, no matter how long it takes to provide the service.

The model gaining the most traction in 2024, is value-based pricing, in which charges are based on expertise, guidance, and results, rather than time spent.

The model gaining the most traction in 2024, however, is value-based pricing, in which charges are based on expertise, guidance, and results, rather than time spent. Almost half (48%) of respondents said their firms already offer value-based pricing on some of their services, and 18% said their firms plan to start offering it by the end of the year.

A few other pricing models are not in widespread use yet but are quickly gaining in popularity. Only 29% of respondents said their firms offer retainer pricing, for instance, but 19% say they plan to offer it within the coming year. Likewise, cost-plus pricing is only offered by 27% of firms, respondents say, but an additional 11% said their firms are considering it. Market-value pricing is another option that is quickly gaining adherents, with 23% of respondents saying their firms currently offering it, and another 21% saying their firms plan to roll it out in 2024.

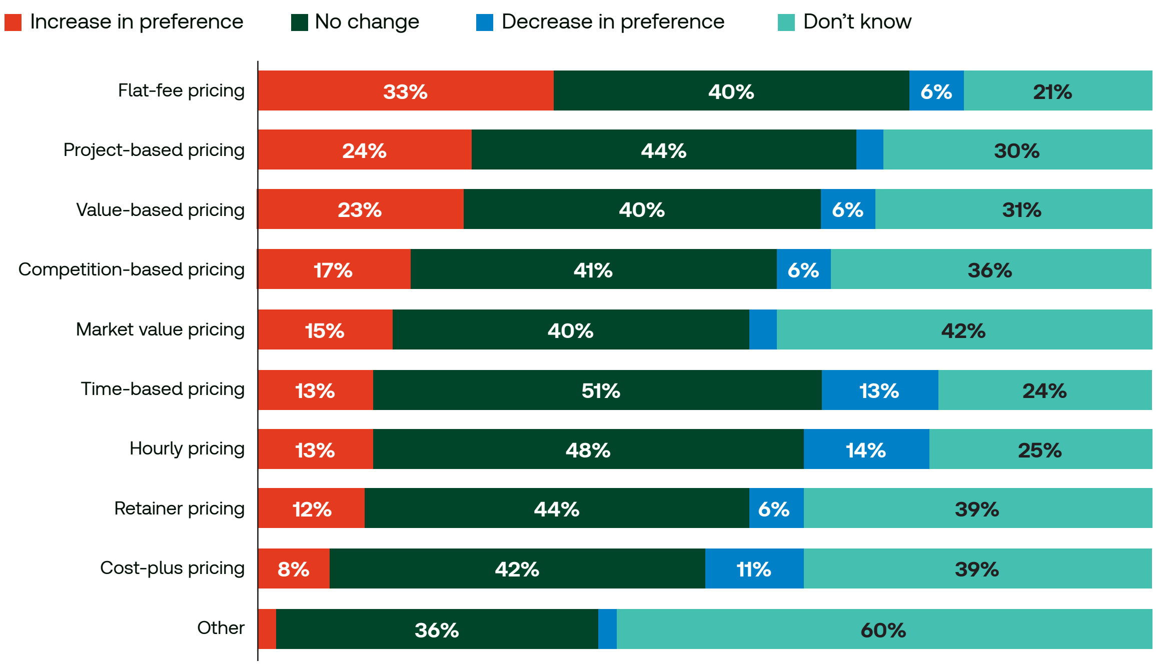
In general, larger firms are more likely to offer a range of pricing models because they also offer a wider range of services. Compared to our 2023 survey, however, fewer firms are offering flat-fee pricing — 62% of respondents said this in 2024 compared to 71% in 2023.

Client demand

Although changes in pricing strategy are driven in part by a desire to tie charges to the actual value of a service, they are also a market response to client demand for pricing alternatives.

FIGURE 16:

Changes in client preference for pricing models over the last 5 years



Source: Thomson Reuters 2024

Respondents taking our survey report over the past five years have said that the three pricing models their clients tend to prefer are flat-fee pricing (a 33% increase in preference), project-based pricing (24%), and value-based pricing (23%). Meanwhile, respondents at larger firms have experienced a 13% decline in preference for time-based/hourly pricing, while those at smaller firms have seen an equivalent *increase* due primarily to an expansion of tax advisory services.

Finding what works

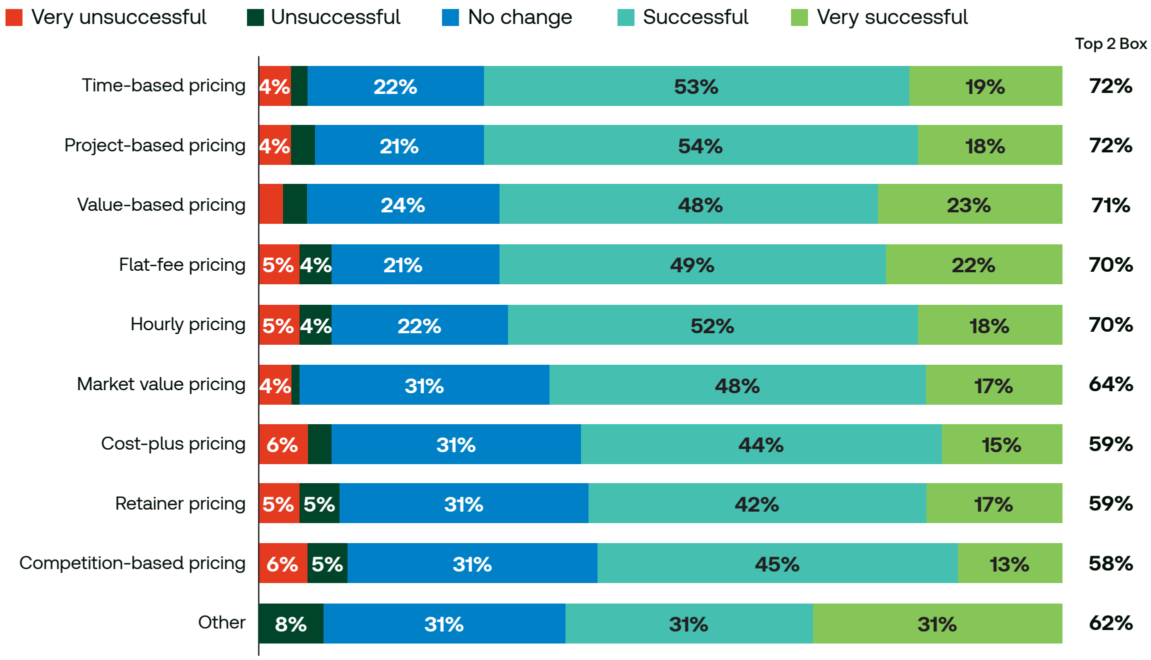
Of course, many tax & accounting firms wouldn't be experimenting with different pricing models if they weren't also generating additional revenue through the higher prices they are charging. Although client preferences are a factor, firms that offer a range of pricing options also try to optimize the cash flow of specific services by using the pricing method that will yield the most revenue for that particular service.

Interestingly, which pricing method a firm uses doesn't seem to have much of an impact on its ability to raise prices. In fact, most firms have succeeded in raising prices over the past year regardless of the pricing model(s) they happen to be offering, according to our survey.

Overall, more than 70% of respondents said their firms have successfully raised prices using time-based pricing (72%), project-based pricing (72%), and value-based pricing (71%). And of the 71% using value-based pricing, 23% said they have been "very successful" in raising prices.

FIGURE 17:

Success in raising prices for models over the past year



Source: Thomson Reuters 2024

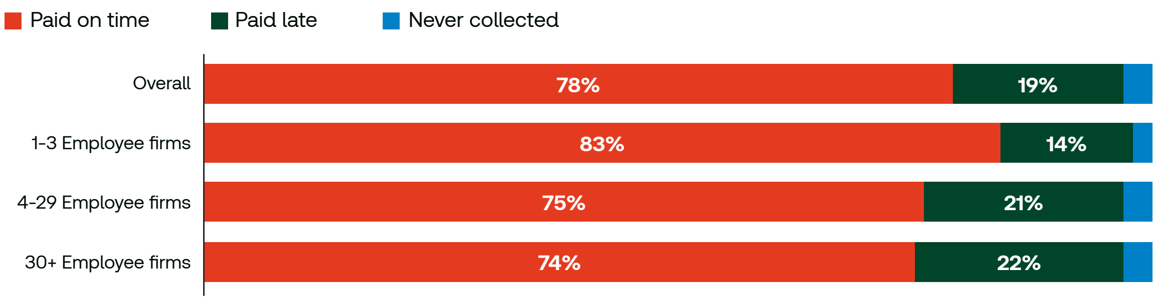
Not far behind are other pricing options, such as flat-fee pricing (70%), hourly pricing (70%), and market-value pricing (64%), but even cost-plus pricing, retainers, and competition-based pricing methods saw success rates approaching 60%, according to the survey.

And despite charging higher prices, the majority (78%) of respondents said their clients' billings are being paid on time, especially at smaller firms, at which 83% of bills are paid when they are due. At midsize and large tax & accounting firms, almost three-quarters (74%) of billings are paid on time.

FIGURE 18:

Timeliness of payment received

Average % of firm's billings



Source: Thomson Reuters 2024

The TR Institute's View:

Because more tax & accounting firms are offering a wider range of services, many are considering alternative forms of pricing and billing other than the standard hourly rate. Yet, no matter how firms are billing, firm revenues continue to rise.

Priority 4: Client services

Though the importance of client services relative to other priorities has diminished in the minds of respondents somewhat since our last survey, one would be hard-pressed to find a firm that didn't proclaim its devotion to superior customer service. Meeting deadlines and being more responsive to clients is part of the formula for making customers happy, but so too is the willingness to adapt to shifts in client needs and market demand.

Expanding service opportunities

In general, tax & accounting firms of all sizes are recognizing that while some professional doors are closing, several windows of opportunity are opening as well. Two parallel trend lines are driving this transformation: First, the number of clients in search of advisory services beyond simple tax preparation is growing; and second, firms need to evolve their business models to offset the erosion of basic tax services due to automation and AI.

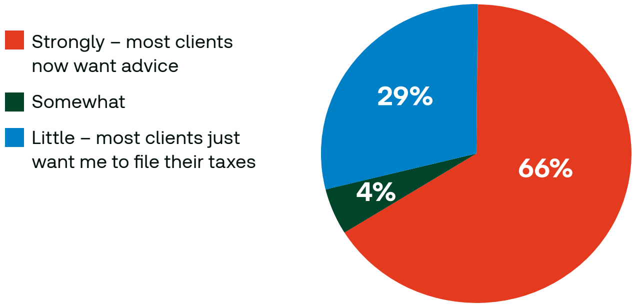
Fortunately, these trends complement each other rather nicely. To meet client demand for more advice, most midsize and large tax & accounting firms are now offering tax-strategy services of one sort or another, and many are planning to offer other frequently requested services such as financial planning and decision-support. Larger firms are more likely to offer a range of advisory services, as well as business consulting and decision support for companies that generate more than $50 million in annual revenue. And some smaller firms are starting to offer tax strategy services for individuals and businesses, but many are constrained from doing so by lack of time, expertise, and staff.

> **Most midsize and large tax & accounting firms are now offering tax-strategy services of one sort or another.**

Strategy & advice

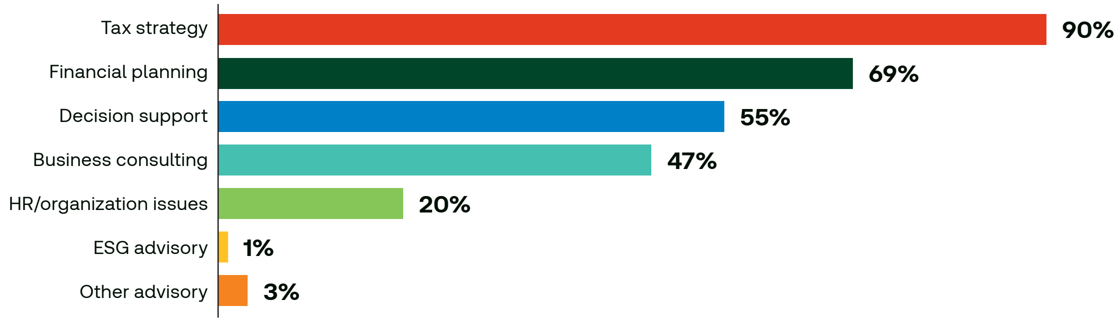
Business assistance of various kinds is perhaps the most fruitful service that firms can offer. Indeed, two-thirds (66%) of respondents said their clients are strongly in favor of receiving more business advice, while 29% said their clients are only somewhat interested.

FIGURE 19:
Clients who want business advice



Source: Thomson Reuters 2024

FIGURE 20:
Type of business advice wanted by clients



Source: Thomson Reuters 2024

Upselling existing clients

Many firms are responding to this shift in client needs by offering a wider variety of services and introducing existing clients to other potentially beneficial services. For example, 74% of respondents said their firms already offer tax-strategy services, and many of the rest (18%) said their firms are planning to offer such services within the year, or are at least considering it. And 46% of respondents said their firms currently offer financial planning as well, and 27% more say their firms are planning or at least considering it. The same goes for business consulting, of which 42% of respondents said their firms currently provide, with 20% more saying their firms are planning or considering offering it within the next 12 months.

Of course, firm size has a lot to do with the breadth of services available to clients. For example, if financial planning and decision-support are the services that clients seek, they are most likely to find those offerings at larger firms — and currently, 69% of large firm respondents said their firms currently offer financial planning and almost half (49%) said their firms offer decision-support, with 25% more possibly adding decision-support within the next year or two.

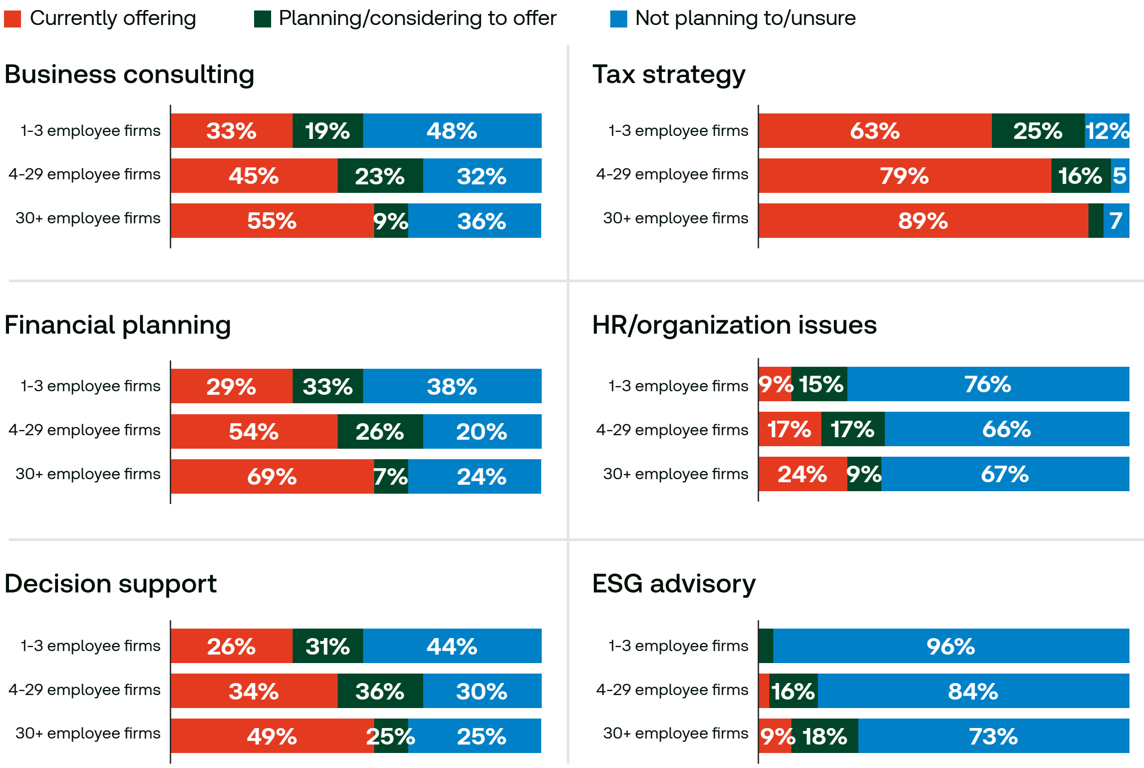
To compete with the biggest players, midsize and even some small tax & accounting firms are actively planning or at least considering adding additional service offerings at a rapid clip.

The disparity in services between large, midsize, and small firms may not last long, however. To compete with the biggest players, midsize and even some small tax & accounting firms are actively planning or at least considering adding additional service offerings at a rapid clip.

With business consulting, for example, 55% of respondents from large firms said their firms already offer the service, and 9% more say their firms are considering it, for a total of 64%. At midsize firms, however, 45% of midsize firm respondents said their firms already offer business consulting and *23% more* are considering it — *for a total of 68%*.

FIGURE 21:

Type of current/planned service offerings



Source: Thomson Reuters 2024

Small firms aren't far behind, either, with more than half (52%) of small firm respondents saying their firms either already providing business consulting services or are considering it.

A similar dynamic is playing out in other services such as financial planning, decision-support, and tax strategy. More than two-thirds (69%) of large firm respondents said their firms already offer financial planning, for instance, and 7% more said they are planning or considering adding it to their service roster. Meanwhile, 54% of respondents from midsize firms said their firms already offer financial planning to their clients, but 26% more are actively considering it.

> 54% of respondents from midsize firms said their firms already offer financial planning to their clients, but 26% more are actively considering it.

Strange as it may seem, if all those midsize firms went ahead with their plans, more midsize firms (80%) would be in the financial-planning business than large firms (76%), and only slightly more large firms (74%) would be offering decision-support than would midsize firms (70%), according to respondents. Likewise, if all the small and midsize firms that want to add tax strategy did so, more than 90% of all firms, regardless of size, would be offering tax-strategy services to their clients.

Key target markets

Tax & accounting firms of different sizes serve different types of clients, however. So, while the name of the service might be the same — tax planning, financial planning, business consulting — how that service is delivered and to whom depends on the individual firm and the nature and needs of its clients.

For example, according to our survey respondents, the primary target markets for tax strategy and financial planning are typically private individuals and small to midsize companies, with 70% of respondents saying their firms are targeting those demographics. Overall, however, large companies with more than $50 million in annual revenue comprise only 15% and 12% of the tax strategy and financial planning markets, respectively. (Although the true number is probably higher, since the majority of respondents to this survey are from small and midsize firms.)

FIGURE 22:

Target markets for current or planned offerings

	Private individuals	Companies with revenue <$1m USD	Companies with revenue $1m-$50m USD	Companies with revenue >$50m USD	Charities/ non-profits	Government/ public sector
Tax strategy	70%	70%	54%	15%	11%	2%
Financial planning	68%	59%	46%	12%	5%	1%
Decision support	38%	67%	55%	15%	10%	2%
Business consulting	36%	58%	53%	15%	7%	2%
HR/organization issues	33%	37%	50%	15%	8%	2%
ESG advisory	31%	37%	52%	23%	8%	8%
Other advisory	64%	48%	48%	16%	9%	2%

Source: Thomson Reuters 2024

Likewise, the key target markets for decision-support and business consulting are small companies with less than $50 million in revenue (with 67% of respondents saying their firms target these companies) and small businesses with less than $1 million in revenue (58%). However, the larger the accounting firm, the more likely it is that their targeted business clients will move into the $1 million to $50 million range.

The key target markets for decision support and business consulting are small companies with less than $50 million in revenue and small businesses with less than $1 million in revenue.

Dealing with human resources or organizational issues is also a service targeted primarily at small and midsize business (with 63% and 50% of respondents saying this, respectively), but not so much at private individuals or large companies.

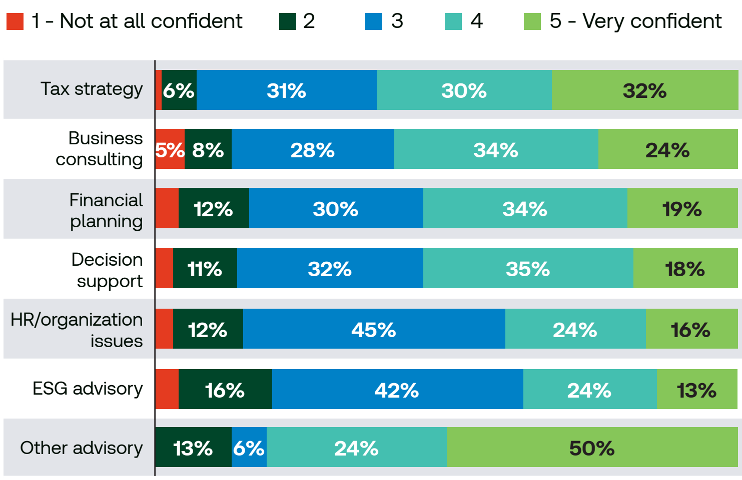
Understanding target markets

Because all these markets are emerging and evolving at the same time, tax & accounting firms with plans to venture into new territories or markets may have some concerns about how well they understand the markets they are considering and the true value of the business opportunities these new markets represent.

When considering tax strategy and business consulting, for instance, a majority of respondents (62% and 58%, respectively) say they are confident or very confident that they understand these markets. Respondents at firms that want to add financial planning and decision-support are somewhat less confident (53%) in their understanding of these markets, and there is even less understanding of the demand (or lack of it) for HR or organizational issues (41% confidence) and advisory services around environmental, social & governance (ESG) issues (38%).

FIGURE 23:

Level of confidence in understanding market opportunity for planned services



	% Top 2			
	Overall	1-3 Employee Firms	4-29 Employee Firms	30+ Employee Firms
Tax strategy	**62%**	54%	70%	**
Business consulting	**58%**	45%	65%	**
Financial planning	**53%**	50%	57%	**
Decision support	**53%**	45%	54%	75%*
HR/organization issues	**41%**	46%*	33%	**
ESG advisory	**38%**	**	33%	**
Other advisory	**81%***	**	91%*	**

*Interpret with caution. **Data not shown due to small sample size.

Source: Thomson Reuters 2024

Obstacles & limitations

Alas, small and midsize accounting firms cannot simply snap their fingers and start offering additional services — no matter how eager they are or how willing a client is to pay for additional services. Certain professional obstacles often stand in the way, such as lack of expertise in specific areas of tax and business planning, inexperienced staff, time constraints, and regulatory hurdles (degrees, licenses, certifications, accreditations, and more).

Indeed, although most respondents in our survey indicated a desire to see their firms expand their service offerings, some did not. When asked why, the most common answer was lack of expertise, particularly in the areas of financial planning and business consulting. "Accountants are unable to give financial planning advice without the proper qualifications," noted one respondent. Another said they thought it was "better to refer them to more specialized people."

FIGURE 24:

Barriers to offering requested advisory service(s)

(Unaided mentions)	Financial planning	Decision support	Business consulting	HR/ organization issues	Tax strategy
Lack of expertise/knowledge	40%	30%	38%	45%	23%
Lack of staff	27%	44%	41%	35%	23%
Time constraints	20%	33%	17%	10%	46%
Regulation constraints	10%	11%	7%	15%	–
Insufficient demand	7%	–	3%	5%	8%
Preparing to retire (winding down services)	7%	4%	3%	–	8%
Currently outsource this service	3%	–	3%	5%	–
No interest	3%	7%	3%	15%	8%
Other	–	7%	3%	5%	–

Lack of Expertise

"Accountants are unable to give financial planning advice without the proper qualifications."

"We don't have the expertise and would not want to delve into such areas as a result. It's better to refer them to more specialized people than to take on that work at this time."

Lack of Staff

"There is not a lot of people in my firm to offer this and/or more training is necessary to fulfil this role."

"We only have one certified financial planner in the company, and he is too busy with tax work to have the appropriate time to offer financial planning at this point."

Time Constraints

"The office is time poor, and these things take time and are not as profitable."

"I have enough work. I don't want to spread my time too thin and not be able to be effective."

Regulation Constraints

"Regulations around financial advice, uncertainty around what types of advice we can and cannot provide."

"Not licensed to do this type of work."

Source: Thomson Reuters 2024

Lack of staff was mentioned almost as often by respondents, with one lamenting: "We only have one certified financial planner in the company, and he is too busy with tax work to have time to offer financial planning at this point." Another respondent concurred, saying "these things take time and are not as profitable," and "I have enough work — I don't want to spread my time too thin."

The TR Institute's View:

The fact that so many small and midsize firms are contemplating new services speaks to the universality of the broad tectonic shifts taking place in the tax & accounting profession. As the task of rote tax preparation is taken over by automation and AI, many firms and even solo practitioners, simply as a matter of survival will have to diversify their service offerings. And everyone — from firm leaders to clients — seem to know that.

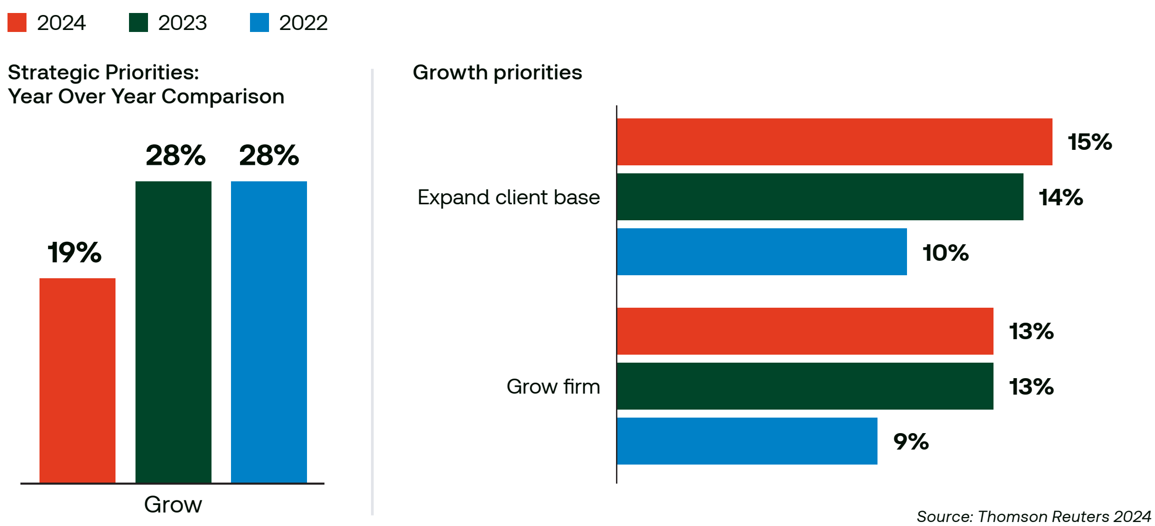
Priority 5: Firm growth and strategy

The number of respondents citing firm growth as a top priority has held steady over the past two years. This year, however, the number of respondents citing growth as a top priority dropped almost ten percentage points, from 28% to 19%, suggesting that market forces are altering the calculus that many firm leaders are making about growth and its importance, at least relative to other priorities.

Another possibility is that with tax & accounting firms averaging more than a 20% jump in revenue over the past 12 months, growth is seen as less of a struggle, and therefore less of a concern.

FIGURE 25:

Growth priorities



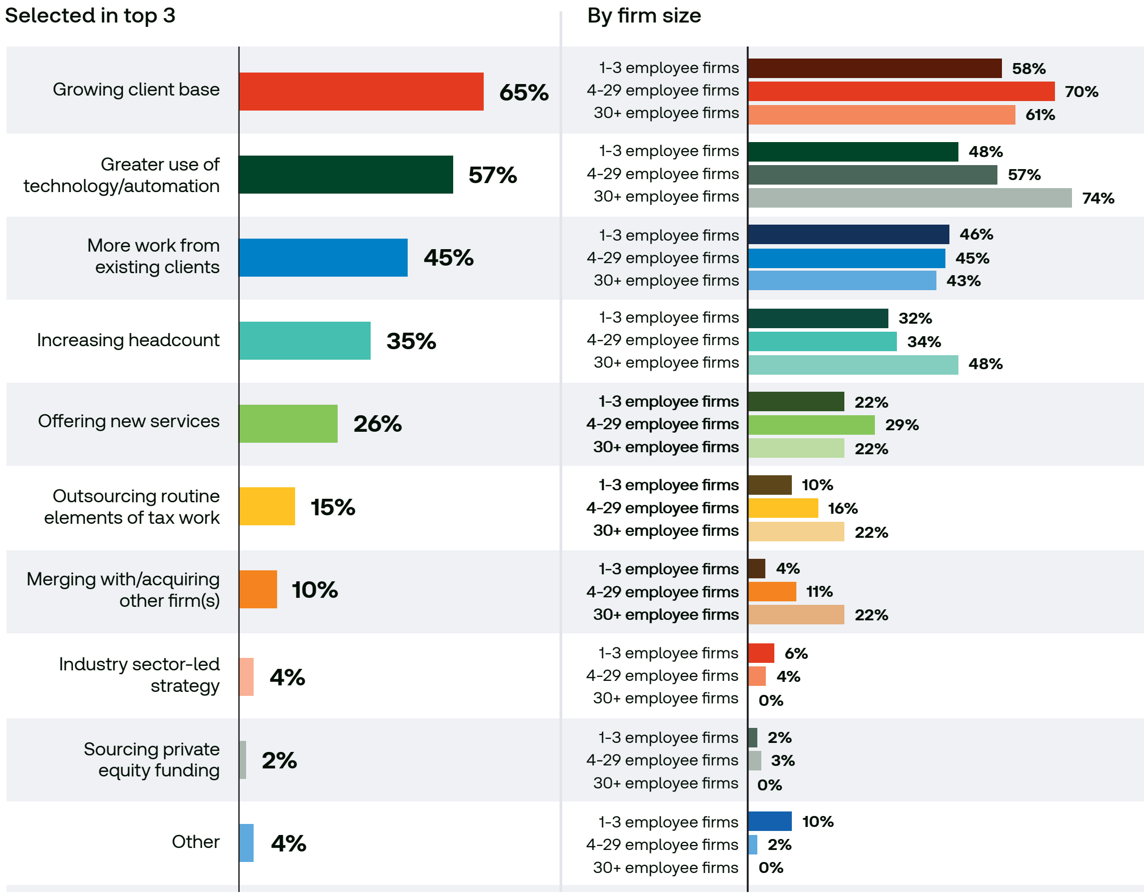
Source: Thomson Reuters 2024

Growth strategies

Deliberate growth is not part of every firm's business strategy, either. In fact, only 38% of respondents in this year's survey said their firms had a growth strategy in place for the coming year. And among respondents at firms pursuing a growth strategy, only 1 in 10 said they are pursuing expansion through mergers and acquisitions, and even fewer (2%) said they are in search of private equity funding to fuel a growth spurt.

> Among respondents at firms pursuing a growth strategy, only 1 in 10 said they are pursuing expansion through mergers and acquisitions.

FIGURE 26:
Factors influencing growth strategy



Source: Thomson Reuters 2024

Instead, respondents indicated that their firms' growth strategies were more likely to involve growing their client base (with 65% of respondents saying this), deploying more technology and automation (57%), and obtaining more work from existing clients (45%). Interestingly, respondents from midsize firms said they were more likely to view growing their client base as a path to firm growth, whereas those form larger firms were much more likely to view the capabilities and efficiencies gained through increased use of technology and automation as a growth driver.

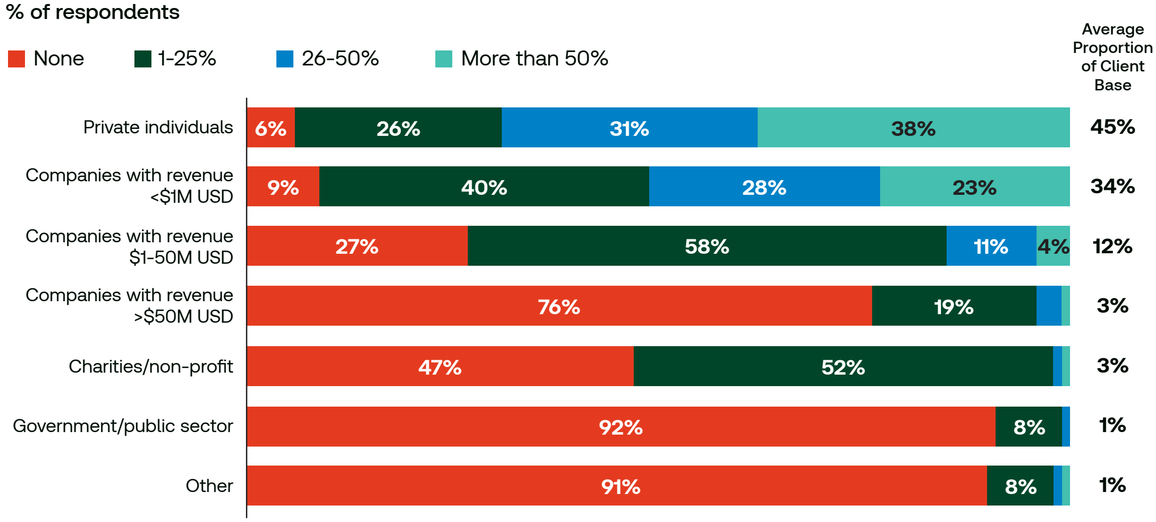
Upgrading clientele

Part of growing a firm's client base also involves weeding out unproductive clients and upgrading the overall quality of a firm's client base. Such reshuffling can be a challenge, however, given that most (79%) respondents said their firms' clients are either private individuals or small businesses with less than $1 million in annual revenue. (Again however, most of our survey respondents come from small and midsize accounting firms, whereas the biggest corporations tend to gravitate toward the larger accounting firms.)

FIGURE 27:

Client type

% of respondents

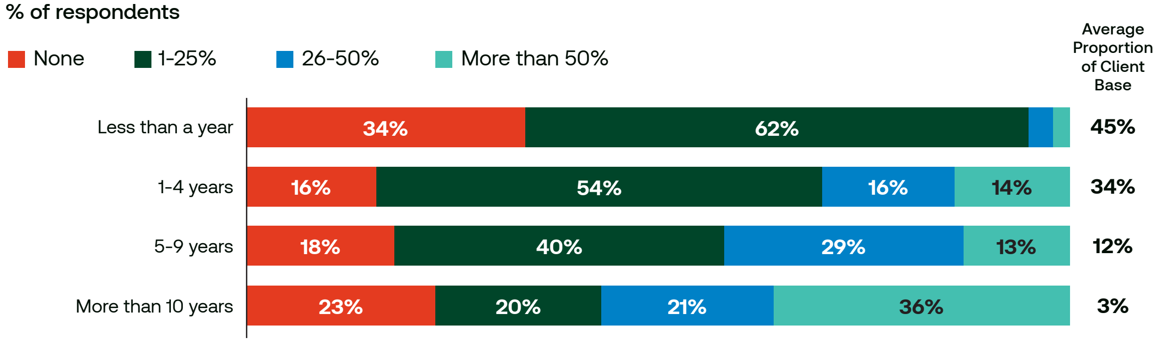


Another obstacle is loyalty. On average, more than two-thirds of respondents (68%) said they have been working with their clients for more than five years, so dropping them is bound to involve some uncomfortable — though possibly necessary — conversations. Moreover, 34% of respondents said they have not acquired any new clients in the past year, so existing clients are all they have.

FIGURE 28:

Client tenure

% of respondents



Source: Thomson Reuters 2024

Still, companies with between $1 million and $50 million in annual revenue tend to represent the sweet spot that firms see for potential growth, as most respondents (58%) said they get less than 25% of their work from these businesses, and only 15% of respondents (and guess at which firms they work) said they get more than half their work from large companies.

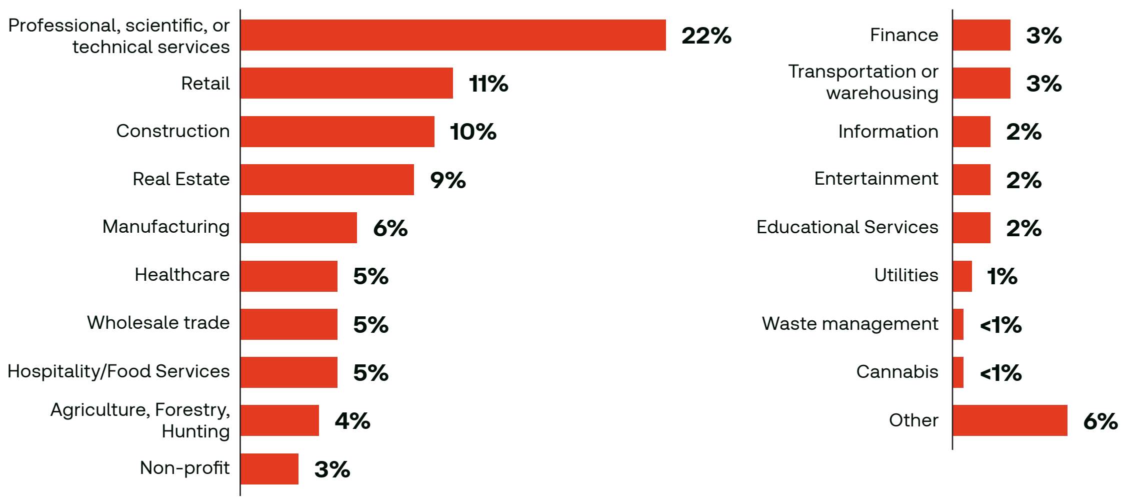
Finally, if targeting specific industries for potential client opportunities is a firm's strategy, the most promising sector is professional services. More than 1 in 5 (22%) respondents said their corporate clients come from the professional service industries (law firms, architectural firms, engineering firms, creative agencies, etc.), followed by retail (11%), construction (10%), real estate (9%), and manufacturing (5%).

If targeting specific industries for potential client opportunities is a firm's strategy, the most promising sector is professional services.

FIGURE 29:

Client industries

% of respondents



Source: Thomson Reuters 2024

The TR Institute's View:

Small and midsize tax & accounting firms that want to grow are more focused on expanding their client base and streamlining their operations, whereas the growth strategy of larger firms is more likely to involve improving the quality of clients, optimizing pricing strategies, and leveraging technology and automation for greater efficiency. Not every firm is focused on growth, however — many are just trying to keep up with the work they have.

Conclusion

After several years of economic volatility and a persistently anemic flow of new talent into the profession, tax & accounting firms are taking a number of concrete steps to guard against the various forces of change re-shaping the market.

Streamlining operations and finding more efficient workflows — often by incorporating further automation — are still high on the list of accounting firm leaders' strategic priorities, but more resources are also being invested in hiring, training, and retaining top talent. And those professionals are being asked to do more, and do it better.

A majority of respondents to this year's survey indicated that their firms' revenues over the past year rose more than 20%.

Indeed, most midsize accounting firms are working hard to expand their service offerings, meet their tax deadlines more consistently, and be more proactive about helping their clients achieve success in whatever way they can. Meanwhile, larger firms are continuing to leverage their technological advantages, offering additional service and cultivating more rewarding relationships with their most valued clients.

These measures seem to be working, too. A majority of respondents to this year's survey indicated that their firms' revenues over the past year rose more than 20%. Most said that their firms were planning to continue pursuing their strategic goals on multiple fronts — so there is every reason to believe that the tax & accounting profession is well positioned to weather whatever uncertainties may lie ahead.

Action items for continued excellence:

Those firms that want to get ahead and stay ahead should consider taking action in the following areas:

- ***Technology & automation*** — Firms that want to benefit most from technological innovation should consider creating a five-year technology roadmap that clearly states the firm's technology goals, the strategy behind those goals, and the steps needed to achieve them. Without such a plan, technology strategy can too easily be put off until a crisis hits, in which case it is too late. Now is also the time to decide how and to what extent AI will factor into how your firm performs its work going forward.

- ***Client services*** — With firms of all sizes moving to offer clients advisory services, competition will likely heat up as well. To identify market opportunities, firms should conduct a thorough inventory of their strengths and bench talent and identify areas of established expertise and areas of potential growth. From there, the firm can decide how it can best differentiate its services from those offered by other firms and how the firm is going to communicate its value proposition to the market and to clients.

Firm leaders should remember, however to base any additional service offerings on what existing clients say they need or want and to add new services gradually, reviewing successes and failures, and then repeating as needed.

Note: Larger tax & accounting firms that already have established advisory services cannot rest on their laurels, and they should realize that competition from midsize firms and others is likely to become much more formidable over the next few years.

- ***Pricing & revenue*** — Billng by the hour is still the norm in the industry, but accounting firms everywhere are exploring different pricing options that better connect their charged rates with the actual value of the services that clients are being offered.

To find the optimal pricing model for a service, audit a sample of completed work, then apply a few different pricing models to those sample numbers and see which model works the best. Changing models with existing clients can be problematic, however, unless they can be convinced that a new pricing structure benefits them somehow. Rather, the industry trend is toward offering a wider range of pricing options and then giving clients the choice.

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