

CTCPA Survey of **Challenges Facing the Accounting Profession and Clients, and Possible Solutions**

2020



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Connecticut Society of Certified Public Accountants

Executive Summary and Key Findings

The survey gathered a great deal of information from nearly 500 respondents in both public practice and from industry. The survey showed a veteran group of respondents averaging more than 33 years in the profession. Most companies were profitable, and most were from small companies with a median of nine employees. We saw that most companies offer an array of services (tax, audit, advisory, etc.), but that many clients wanted an even more far-ranging array of services from their firms.

Key findings we noted included:

- Recruiting and retaining employees was a big challenge at both public practice and industry respondents' companies and at their clients.
- Complying with and understanding both new state and federal regulations was a major challenge.
- Succession is a challenge, with many companies seeing or expecting top execs to leave soon, but only half of respondents seem to be planning for it.
- Diversity is an area where concern and response are mixed among firms, though it may be a key to future recruitment.
- Using new technology and automation are key concerns of clients.
- All are concerned about public policies in the state that seem to be working against, rather than for, the interests of businesses.

About the Survey

In early 2020, the Connecticut Society of Certified Public Accountants (CTCPA) engaged economist Pete Gioia of PGEcon, LLC to work on a new survey of members to answer build a snapshot of Connecticut's accounting profession today.

That survey was in the field between January 6 and 31, 2020, and received 472 responses (margin of error +/- 4.64 %, response rate of roughly 10%). The survey asked 57 questions on a variety of business and public policy topics.

The survey responses included 344 public accounting professionals and the balance from business and industry, government, education, and nonprofits. Most are long-term veterans in accounting and in business, and most have some input into company decisions.

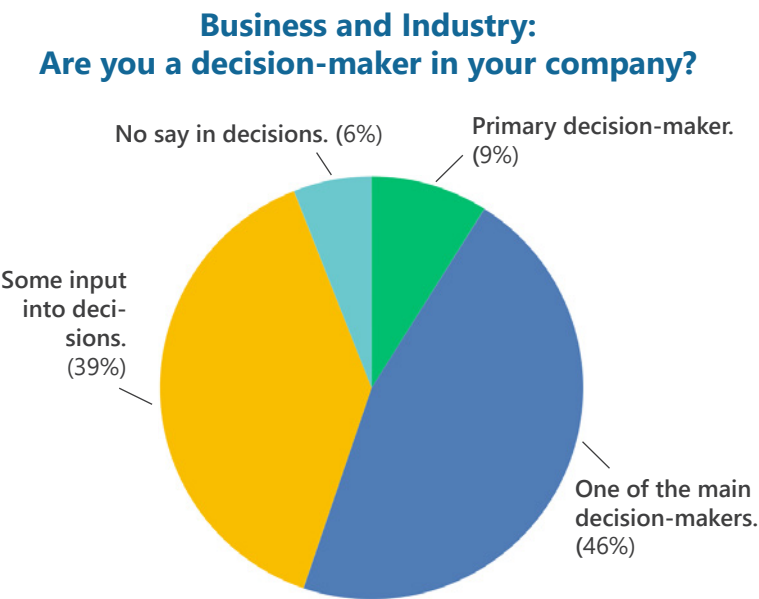
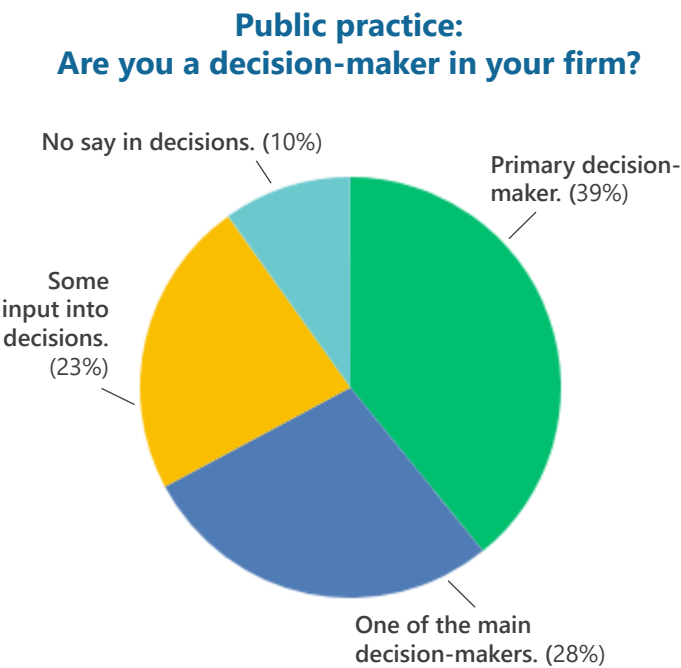
Technology, regulation, and even politics are having enormous ramifications on all professions today, and the accounting profession is no exception. How are Connecticut accounting firms and companies surviving and thriving in today's environment – and what are they (and their clients and customers) struggling with?

Contents

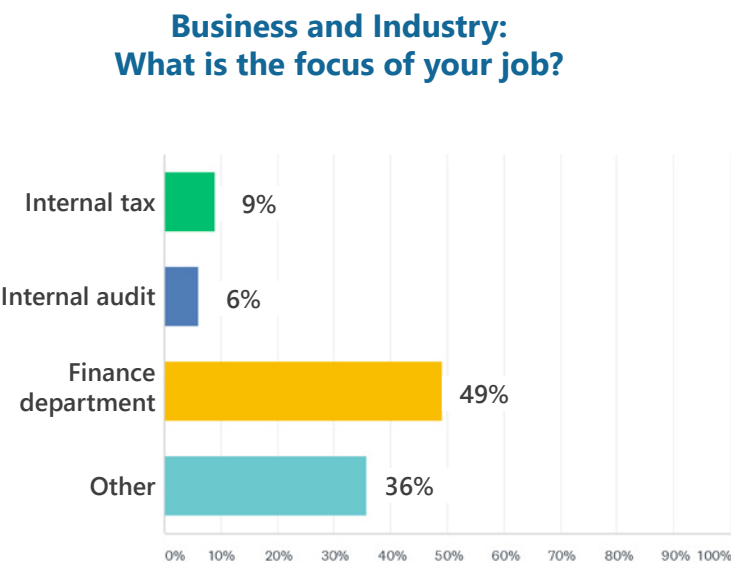
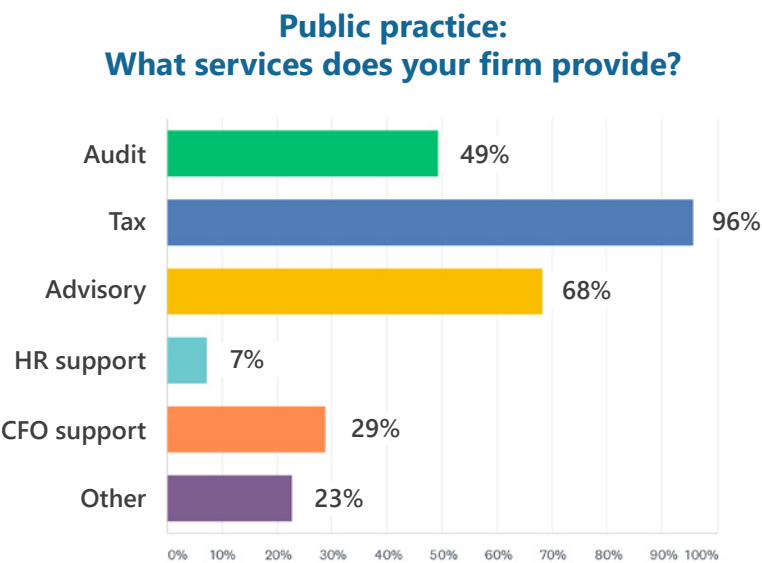
Executive Summary and Key Findings.....	2	What public practice respondents hear from clients.....	6
Respondents' experience and services.....	3	What industry respondents hear from clients.....	7
Respondents' top challenges.....	5	Conclusion.....	9

Respondents' experience and services

The average respondent has 33 years' experience in the profession, with the mode being 40 years and very few under 10 years. Most companies have between one and 10 employees, with a median of nine employees. Ninety-one percent of the respondents are CPAs. Ninety percent of respondents have some input into company decisions, with 39% being the primary decision-maker.

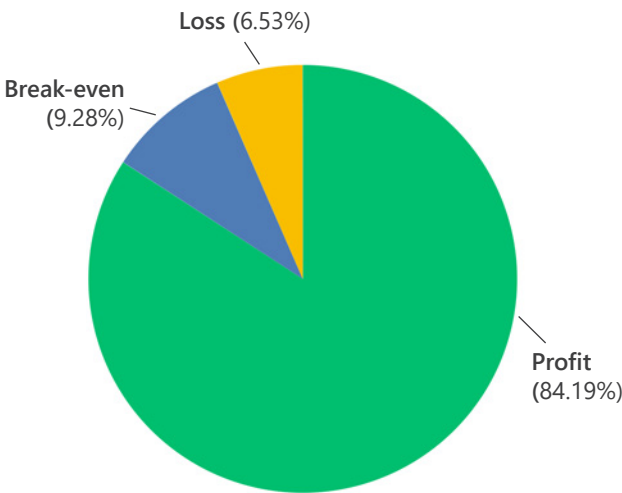


Ninety-six percent of public accounting respondents provide tax-related services, with 68% providing advisory services, 49% providing audit services, 29% CFO support, 7% HR support, and 23% other services like bookkeeping, forensic, fraud, payroll, and estate and trust work. The average respondent has had an advisory practice for 20 years.



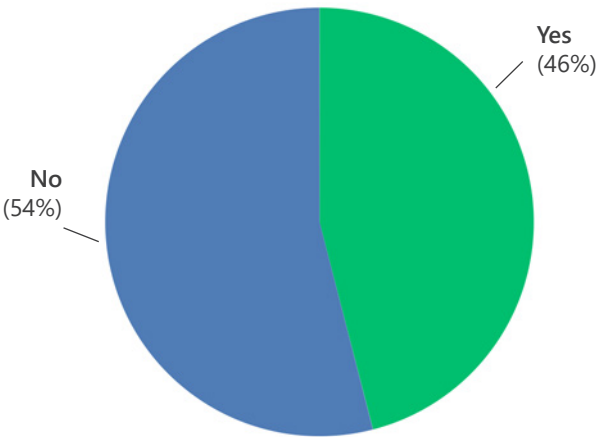
Respondents appear to be doing well financially, with 84% reporting a profit for 2019 compared with 9% at break-even and 7% showing a loss.

For 2019, our company's financial statements will show:



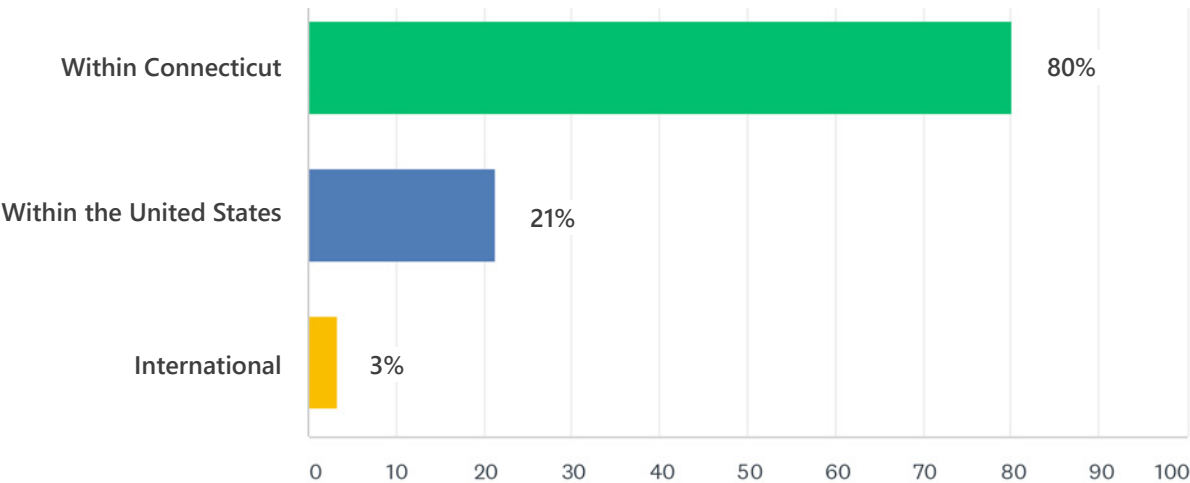
Forty-six percent of firms have an advisory practice, with the average years of having an advisory practice at 20 years. Another 4% plan to start one in the next five years.

Does your firm have an advisory practice?



Most company's business is local, with 80% of business coming from within Connecticut, 21% from within the United States, and only 3% from international.

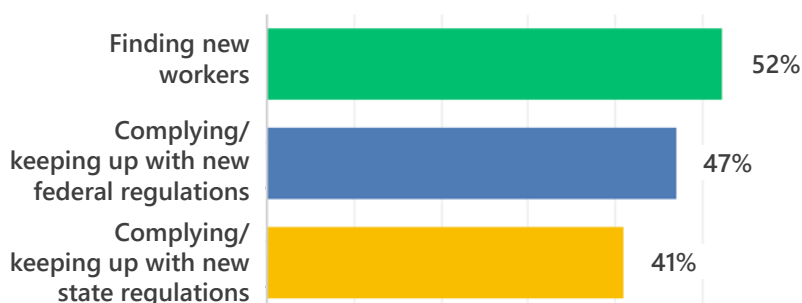
Where does the majority of your business come from?



Respondents' top challenges

Respondents noted the top three challenges facing their companies. The top three were finding new workers (52%), complying and keeping up with federal regulations (47%), and complying and keeping up with Connecticut regulations (41%). Other key challenges were finding new clients (31%), adopting new technologies (31%), keeping new workers (23%), and using more automation (21%). The types of workers companies are looking for include CPAs and CPA candidates (94%), IT pros (8%), HR pros (3%), and other (19%), which are largely bookkeepers and paraprofessionals. Companies are also looking for people with specific skills, most commonly networking (70%), building a client base (53%), business etiquette (29%), and public speaking (19%).

Public practice: What are the top three challenges your firm is facing?



Business and Industry: What are the top three challenges your company is facing?

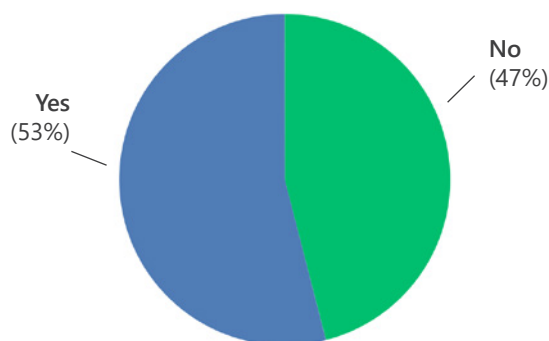


Succession planning

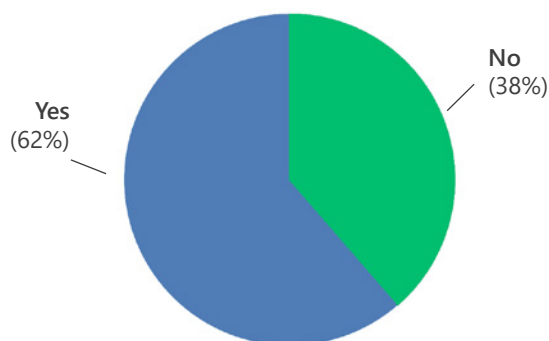
Fifty-three percent of respondents' public practice firms have a succession plan, as do 62% of the business and industry respondents. Considering that most respondents have more than 20 years in business, this is somewhat of a concern. Also, of concern is that the average respondent expects 11% of company staff to retire within five years. Fully 22% of top company executives expect to retire in five years and 26% of partners expect to retire within five years. These losses will take a considerable effort to replace.

Succession should be a major concern to most companies. It all starts with planning, perhaps as early as when the company is formed. Not only is this the key to preserving the firm, it's also important to employees, clients, and family members. The planning should intensify as firms come to within a decade of potentially seeing senior staff reach retirement age; this can be especially important and tricky when multiple partners or family members have an ownership claim or stake. Most experts agree that a formal written plan is a preferred tool.

Public practice: Does your firm have a succession plan?



Business and Industry: Does your company have a succession plan?



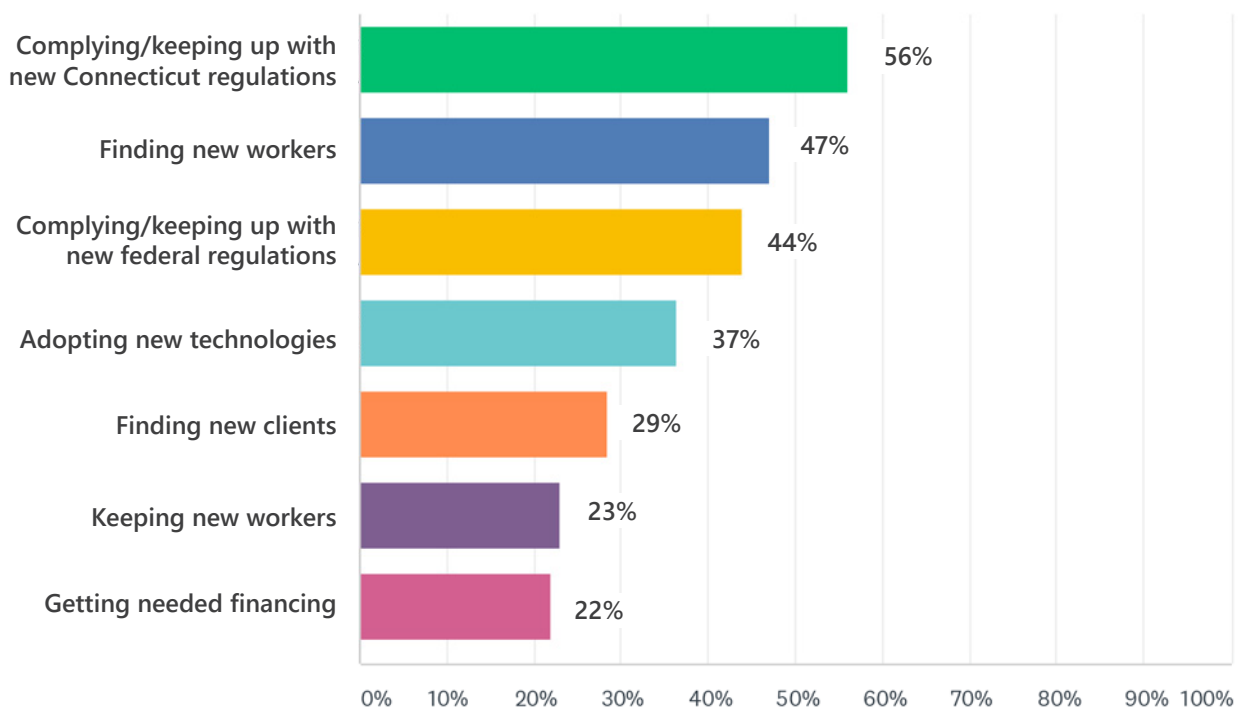
What public practice respondents hear from clients

CPAs are in close contact and hear a lot from their clients – including, naturally, their challenges. CPAs say their clients' top challenges are complying and keeping up with new Connecticut regulations (56%), finding new workers (47%), and complying or keeping up with new federal regulations (44%). Other key areas noted were adopting new technologies (37%), finding new clients (29%), keeping new workers (23%), and getting needed financing (22%).

Other challenges noted in interviews from large firms included similar issues with finding, training, and retaining good workers, but also issues expanding the business due to federal requirements to maintain independence between consulting/advisory and audit tax practices with large clients.

Larger firms also cited international business challenges; coping with expansion overseas and supply chain issues are becoming more challenging for clients.

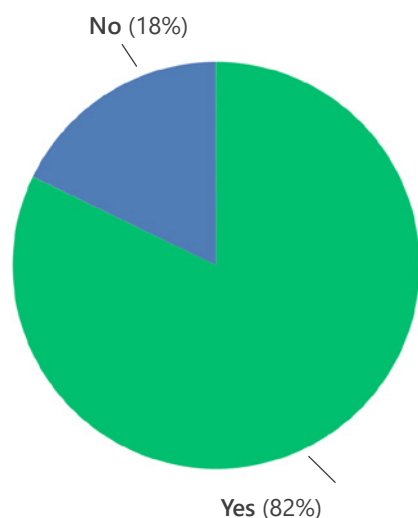
What are the top challenges your clients are facing?



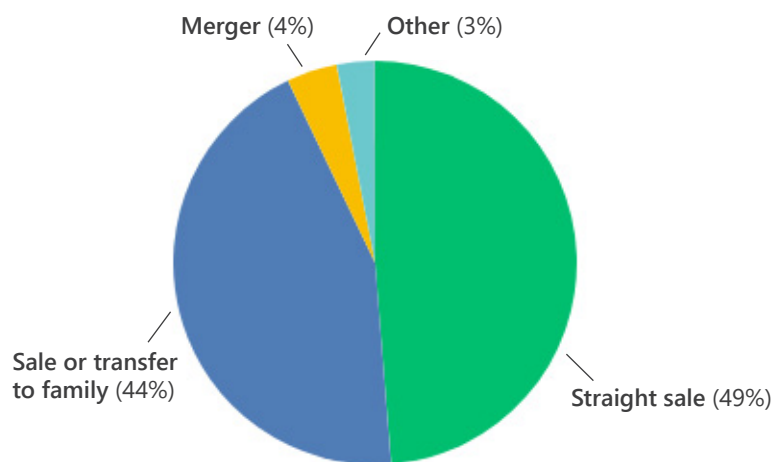
Eighty-two percent of respondents talk to their clients about succession planning. On average, respondents expect 14% of their clients to sell their business over the next five years. Respondents expect 49% of clients to use a straight sale upon succession with 44% expecting a sale or transfer to family, and only 4% using a merger.

An average of 17% of top executives in respondents' best clients are expected to retire over the next five years. Respondents say that 15% of staff in their best clients will also retire over the next five years.

Do you talk to your clients about succession planning?



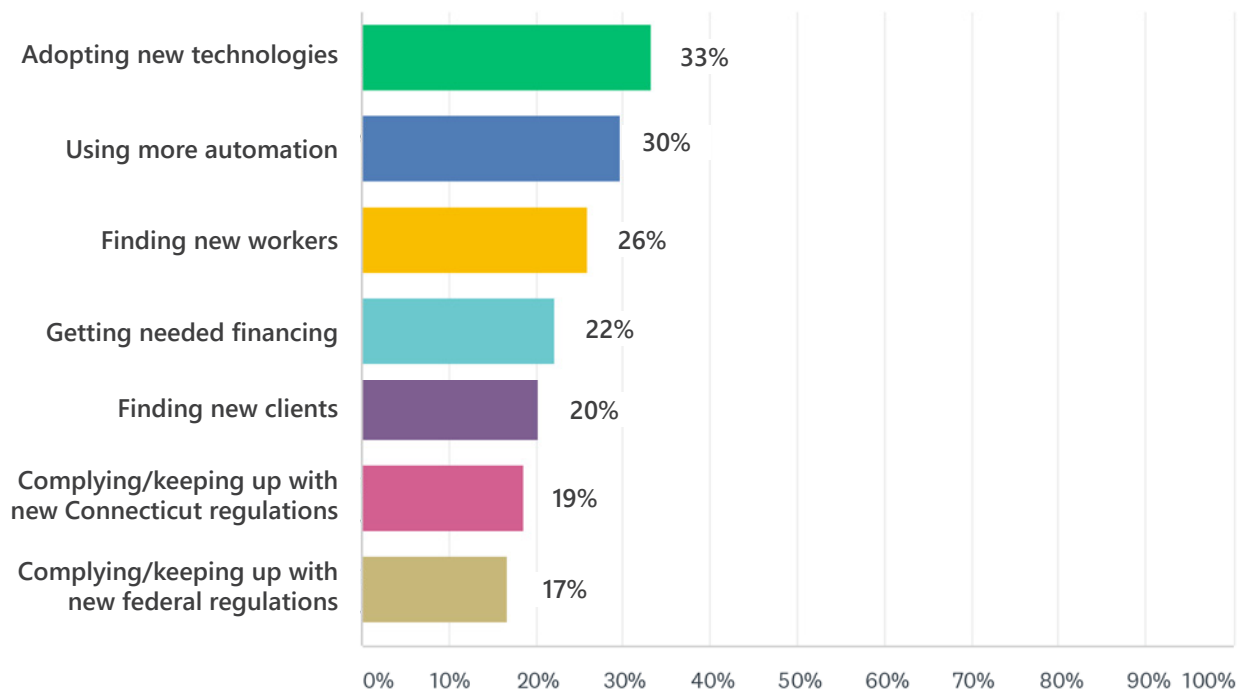
What type of succession do you expect the majority of your clients will use?



What industry respondents hear from customers

Customers' top three challenges were reported as adopting new technologies (33%), using more automation (30%), and finding new workers (26%). Other key challenges included getting needed financing (22%), finding new clients (20%), and complying or keeping up with new Connecticut (19%) and federal (17%) regulations.

What are the top challenges your customers are facing?



Public policy

One factor that always has an impact upon business economics that some downplay is the role of public policy. Public policy can influence location and investment decisions, which in turn are major factors regarding growing work forces. Positive feelings towards the direction of public policy (right direction as opposed to wrong track) influence planning that guides these choices.

Unfortunately, in survey after survey over the past 20 years, Connecticut public policy has more often been cited as going in the wrong direction by thousands of business executives around the state. This has been a contributing factor to slow job growth and generally subpar economic statistics compared to the United States and key neighboring states.

So how do Connecticut's CPAs and financial professionals feel about Connecticut's public policy and business climate?

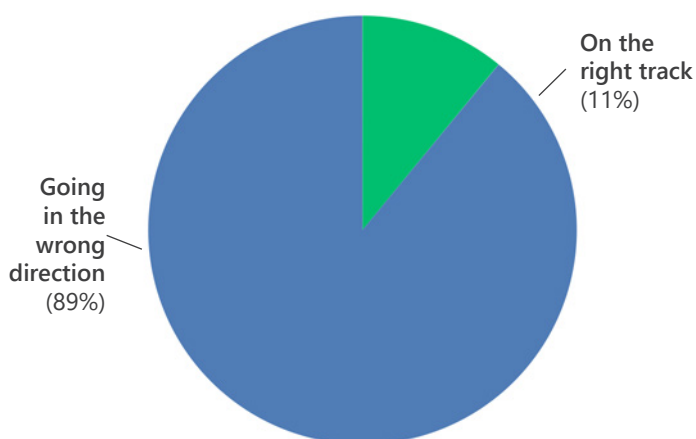
Companies are not happy with the state's public policies. Fully 89% say Connecticut public policies for business are going in the wrong direction; only 11% think Connecticut business public policies are on the right track. This is comparable to other recent public policy surveys of Connecticut businesses. Businesses are trying to send a very strong message to Connecticut policy makers.

This is more of a concern as respondents do not rate the business economy in Connecticut very well. No respondents said the area economy was great and only 7% rated it good. Twenty-nine percent rated the Connecticut economy as average.

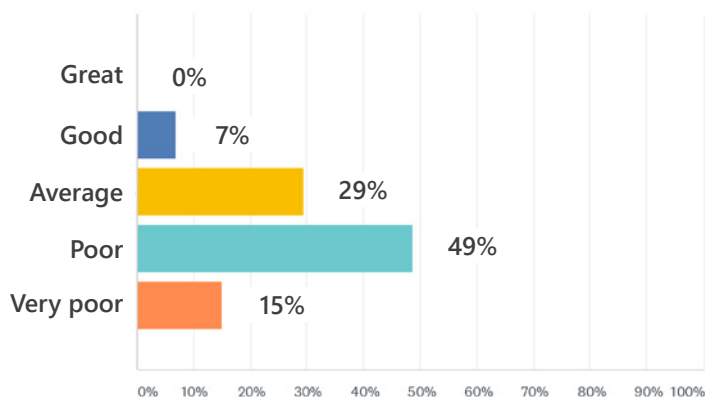
Disappointingly, 49% gave the area economy as mark of poor and 15% said very poor. That's a nine-to-one ratio of poor to good.

Respondents rate Connecticut policymakers even worse on helping the economy and job creation. Forty-two percent gave policy makers a very poor mark, while 37% gave them just poor. Only 3% gave good marks and 18% average grades. Overall, respondents are about as negative as business owners who are not CPAs.

Do you think Connecticut public policies impacting businesses are:



How would you rate Connecticut's business economy now?



Conclusion

"We are pleased with the contribution and frankness of more than 400 respondents to this survey," said CTCPA Executive Director Bonnie Stewart. "We got to know their top concerns as well as those of their clients. The opinion of public policy and policy makers in the state should be a real concern.

We see transformation, although with looming retirements, we see a red flag in the number of firms lacking succession plans and will work to assist those professionals in any way we can.

Given robust demand for talent, there is room for additional efforts to better attract young CPAs into the state and to retain new graduates. We also see many companies offering services that a number of clients want but may not be aware of; this opportunity to educate/market these services should be seized upon.

Despite the wealth of information this survey provides, it also shows room to gather information in more detail and from more areas. The CTCPA will continue to evaluate the sentiments of our members on an ongoing basis, to ensure Connecticut's accounting profession continues to thrive and remains on the cutting edge."

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Bonnie Stewart
Executive Director,
Connecticut Society of CPAs

About the Connecticut Society of CPAs



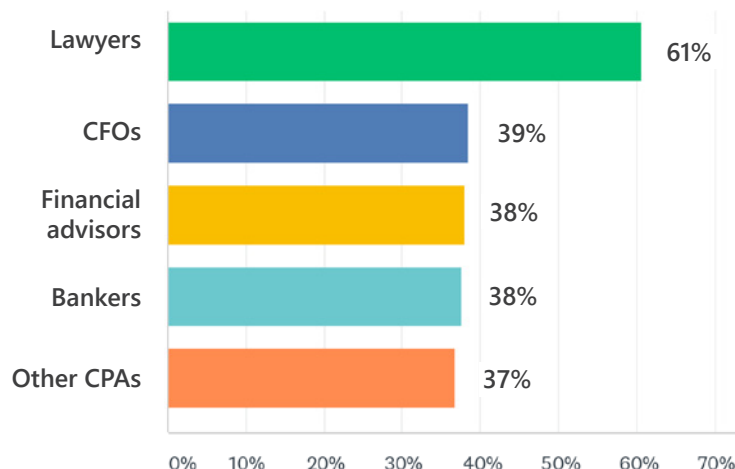
As the state's premier association for certified public accountants and other finance professionals, the CTCPA serves almost 6,000 individuals in public practice, business and industry, government, and education.

Through advocacy, community, and education, the CTCPA strives to keep its members and the profession on the cutting edge of the profession. More than 93% of survey respondents were CTCPA members.

In the past several years, technology has transformed the way CPAs live and work, and the manners in which education is delivered is no exception. Last year, the CTCPA began offering livestream programming of its live events. Since then, thirty-two percent have participated in a CTCPA livestream professional development seminar; those who have not cited time, scheduling, or the preference of a collaborative, live seminar.

Learn more at www.ctcpas.org.

What professionals would you most like to connect with?



Given that many CPAs are looking to grow their businesses at any given time, CTCPA members are looking to grow their networks. The top five business groups respondents want to connect with are lawyers (61%), CFOs (39%), financial advisors (38%), bankers (38%), and other CPAs (37%).