

Top Trends for Small Accounting Firms in 2010

By Hugh Duffy

With small accounting firms coming out of a tough tax season, now is an appropriate time to look ahead for the balance of 2010. Below are my predictions based on a blend of analysis, industry conferences, publicly available information, and dialogue with hundreds of small accounting firms around the country.

Economic Trends

1. **Our current recession has many small accounting firms on edge because the duration of this recession has been so long.** Since 1854, the average length of a U.S. recession has been 17 months from peak to trough, according to the National Bureau of Economic Research. Our current recession started in December 2007 and the end is not yet in sight. Yes, I will concede that there are many positive signs. Despite some positive signs, economists are saying the recovery will be gradual and lending is still problematic. The liquidity crisis amongst small businesses will continue to create a drag on small businesses which will negatively impact most small accounting firms for the balance of this year.
2. **Shift in type of employment.** Small business employers are shifting from full-time employees to part-timers, freelancers, outsourced services, partnership arrangements, and other forms of contingent workers.
3. **Micro-Businesses will rise** – As more and more skilled workers are on the sidelines and become disenchanted with the prospects for gainful employment, there will continued increases in micro-businesses (solo owners with no employees). This movement will be fueled by the internet, low-cost of technology, and ease to create a home-based business.

Accounting Industry Dynamics

1. **Top 100 accounting firms will reduce overall staff levels in 2010.** According to Accounting Today, the Top 100 accounting firms had net revenues decline by 2.8% in 2009 and overall staff decline by 2.3%. With the length of this recession, we anticipate overall staff levels will decline 3-7% in 2010 at Top 100 accounting firms.
2. **Small accounting firms will dramatically increase use of Cloud Computing, SaaS, portals and hosted solutions.** Amongst small accounting firms with less than five people, we anticipate a large shift from desktop accounting over to cloud computing usage. This rapid transition will be fueled by the need for higher levels of data security, online filing demands, cash flow constraints as small firms switch from annual software renewal to fixed monthly subscription fees, and enhanced features that software providers wrap into online SaaS/hosted applications.
3. **Microsoft 7 and Office 2010 will fuel replacement of dated computer equipment** – With the negative press around Vista, many small accounting firms have delayed replacement of office equipment. Many firms will replace dated computer equipment this

year. Trends are towards dual monitors, laptops and smart phones and away from traditional desktop computing.

4. **Surge in growth of new accounting firms** – The weak employment picture will persuade many accountants to hang out their shingle in 2010, rather than remain unemployed for extended periods of time.
5. **Business development and new business acquisition are back in vogue**. This year, accounting firms are much more interested in business development and new business acquisition. This is a shift away from staffing and recruitment a couple years ago.
6. **Continued evolution towards paperless**. Much like the evolution towards online filing, true paperless is seldom attained and is an evolutionary process. Those that embarked on paperless years ago will move further down this path. Many on the fence will test the waters this year but operate as a hybrid.

Social Trends

1. **No Place Like Home for Small Businesses**. Due to a lack of confidence in our economy and abundance of under-capitalized new business start-ups, the trend towards home-based businesses will continue. This trend is fueled by the need to conserve cash, low technology costs, and presence of office space in many homes today.
2. **Membership organizations will continue to see enrollment declines**. Local non-profit membership organizations (networking type) will see continued declines in enrollment as networking tools (LinkedIn, Facebook) make it more efficient online and cheaper.

About the Author

Hugh Duffy is co-founder and chief marketing officer of [Build Your Firm](#), a practice development and marketing company with services small CPA firms. Hugh teaches a series of [Accounting Marketing Workshops](#); writes an e-mail newsletter reaching thousands of accountants; and is frequently published in various publications, including The CPA Technology Advisor, Progressive Accountant, and state CPA society newsletters and magazines. He can be reached at 888-999-9800 x151, or hugh@buildyourfirm.com.