IN CPA SOCIETY

CPA Talent Retention 2024: Keeping Your Best Performers

Evidence-Backed Action the Profession Can Take Today

CPA Crossings

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Executive Summary

Retaining the best accounting talent has become jarringly expensive. Rising salaries, more robust benefits, keeping up with technology, resetting expectations, and getting less done with more people – these factors can make it feel like keeping up with soaring costs is impossible.

But one critical thing is even more expensive than retaining talent – attracting it. So, firms and companies have an existential imperative ahead: make strategic investments in retentions to avoid the crippling costs of recruitment. This paper aims to help direct those strategies with research-supported action.

The Indiana CPA Society (INCPAS) surveyed two groups for this study. The first includes CPAs and accounting professionals nationwide who have 0-15 years of public accounting experience and have left either a firm or the profession within the past five years. We refer to them as the "Career Changers" group throughout this report. The second group is Indiana CPAs and accounting professionals with 3-10 years of experience, a group with a high potential for considering leaving the profession or their firm. We refer to them as the "Current Talent" group.

The goal of this report is to help you keep Current Talent from becoming Career Changers. Readers be warned – some of our findings point directly to the need for firms to make difficult and transformative changes to their practices. The inconvenient truth we uncovered is that the challenges that have contributed to severe pipeline constraints are also forcing the profession's best talent out the door. Firms will need to pursue business model changes aggressively to restore the relevance needed to retain their highest potential talent. Here are a few key talent retention findings from these groups' responses.

1. **There is no quick fix to improving talent retention.** Retaining talent isn't as simple as paying a lot more and expecting a lot less from staff. Your firm needs to step back and look at whole person retention. Both the Career Changers and the Current Talent groups indicate that motivations to stay include higher salaries, yes, but also flexible work options, being valued, balanced workload, better benefits and time-off packages, and professional development.
2. **Most Current Talent want to stay in the profession – and with their current firm.** This is great news. In fact, more than 63.6% of those responding gave high ratings (5 or higher in a range up to 7) indicating that they would like to stay with their current firm. In many cases, firms have a "home field advantage," but that doesn't guarantee they'll win the competition for talent.
3. **Workload management is broken.** Unreasonable, unsustainable productivity and time expectations are crushing the pipeline of talent and pushing out current talent.
4. **Salaries are lower than positions with comparable required education.** Like it or not, "higher salaries" was the top motivational factor for the Current Talent group. Indiana firms have an opportunity to raise salaries, incentivize top performers, and show that they are listening.
5. **Virtually every firm needs to re-evaluate and modify its business model.** Talent retention is expensive, but talent replacement is even more expensive. Implementing the changes highlighted and recommended in this research will call for firms to operate differently.

Now is the time to plan and budget for changes. To survive and thrive in the coming years, firms need to focus not only on talent retention, but also on business model transformation.

Our research shows that 23.9% of Indiana survey respondents (Current Talent group) want to stay in the profession, but not become a partner or principal. How will your firm keep them motivated and retained in the future? Now, overlay on top of that consideration the fact that the Gen Z population – known for its distinct expectations about workplace environment, culture, and support – will make up 27% of the workforce by 2025. Continuing with the status quo will not effectively acquire talent, retain talent, or remain competitive with talent. It will certainly not help your firm keep and motivate your top performers.

There Is No Silver Bullet

Talent retention is extremely expensive, but it is not as expensive as replacing top talent.

According to Thomson Reuters, the average cost to replace or hire an employee is about 50% of a given employee's annual salary. Thomson Reuters also reports that the more skilled the position, the more expensive it will be to backfill that position. For example, replacing a supervisor could cost your firm as much as 150% of that employee's annual salary.[1] The Society for Human Resource Management (SHRM) reports that, depending upon the position, the cost of recruiting, hiring, and on-boarding a new employee can be as much as $240,000.[2]

Talent retention demands your firm's respect, attention, and prioritization. Unfortunately, there is no "silver bullet" to guarantee stronger retention.

We surveyed 323 professionals nationwide who have 0-15 years of public accounting experience and have left either a firm or the profession within the past five years. We call this group the "**Career Changers**." We asked them to complete the statement, "My desire to stay at my previous firm or in the accounting field would have increased if…" by rating a list of various answer options. The most important factors are shown below:

My desire to stay at my previous firm or in the accounting field would have increased if…

There were higher salaries.	39.7%
There were more flexible work options around hours and location.	35.6%
Entry- and mid-level employees were clearly valued by senior management.	33.5%
Leadership balanced workload among staff more evenly.	32.1%
There were better time off packages.	31.9%
There were better benefits offered (e.g., extended parental leave, sabbatical, increased PTO).	30.4%
There was more personalized support and focus on my professional development.	30.1%

Retaining talent isn't as simple as paying more and expecting less from staff … or providing more flexibility in schedules … or changing the culture with a few events or activities. All of these efforts are effective and meaningful, but none works as a single, simple solution. The surveyed professionals left their firms or the profession for myriad reasons—with the top 7 all being rated within a few percentage points of each other. When employees leave, it is typically because of the aggregated effect of a number of factors.

With less talent available to fill existing or new positions, firms must have a comprehensive strategy that enables them to keep more talent and handle more business opportunities.

> **When employees leave, it is typically because of the aggregated effect of a number of factors.**

Most surveyed employees want to stay in the profession—and with their current firm.

This is good news, and it puts most firms in a great position to address talent retention more quickly and effectively. By building a multilayered strategy, firms can get to the headcount numbers they need to maintain and grow their businesses. More critical than headcount, though, firms must retain the right talent. Keeping high-potential and top-performers is the most important goal of a talent retention strategy.

We asked Indiana accounting professionals with 3-10 years of experience (a group that is prone to consider leaving the profession or a firm), "In terms of the next 5-10 years, what is your desire to stay in public accounting?" We call this group "**Current Talent**."

the majority

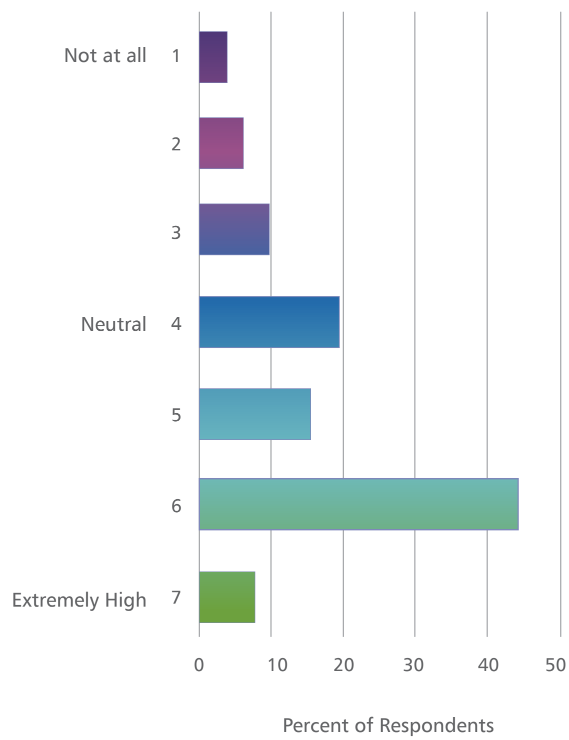
63.6%

gave a desire to stay in public accounting a rating of 5 (out of 7) or higher.

Career Changers: Surveyed professionals nationwide who have 0-15 years of public accounting experience and have left either a firm or the profession within the last five years.

Current Talent: Surveyed Indiana accounting professionals with 3-10 years of experience.

In terms of the next 5-10 years, what is your desire to stay in public accounting?

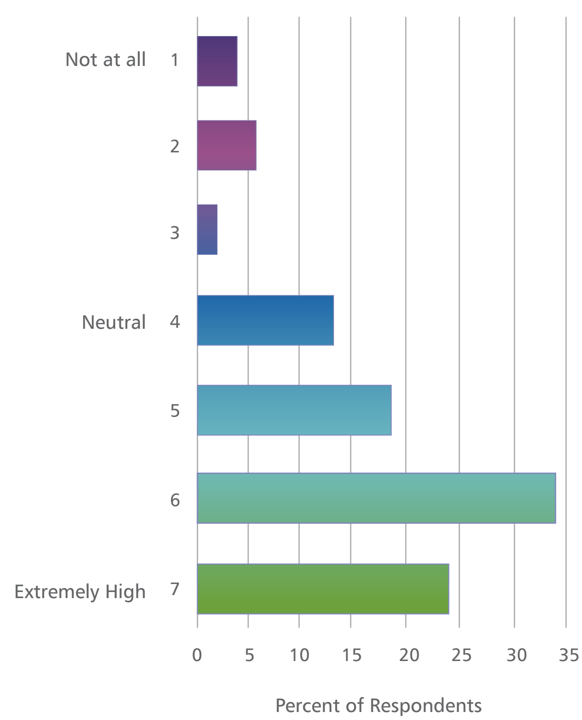


That positive percentage climbs even higher when asked, “In term of the next 5-10 years, what is your desire to stay with your current firm?” More than 76.3% of those responses gave high ratings (5 or higher) indicating that they would like to stay with their current firm. Our findings indicate that Indiana firms are in a great position to retain their talent by listening to employees and providing some incentives and opportunities. Employees seem to want to find reasons to stay. Firms need to ensure that those reasons to stay continually outweigh any reasons to leave.

This greater desire to stay at their current firm versus staying in the profession could point to an interesting point of competition for firms: accounting firms are fighting more with outsiders than with competing firms. It’s not enough to be a more appealing employer than other firms, your value proposition needs to compare favorably against the broader labor market.

> **More than 76.3% of responses gave high ratings (5 or higher) indicating that they would like to stay with their current firm.**

In terms of the next 5-10 years, what is your desire to stay with your current firm?



> **“Returning to full-time office work with zero ability to work from home for even rare occasions is extremely difficult after being completely remote for several years due to COVID. A flexible working schedule would be a great motivator for me.” - Manager**

Retaining the Whole Person

In addition to direct compensation such as salaries and bonuses, there is a wide array of indirect and nonfinancial compensation that can help firms "retain the whole person."

The critical factor to achieve "whole person" retention is personalizing each professional's reason to stay. There is no "one size fits all" approach. When employees feel appreciated and valued for their efforts, they will not only stay with your firm, but they will also become brand ambassadors. In developing a whole person retention strategy, your firm should consider the support needs of each professional from a variety of different perspectives.

Some of these include:

- Financial
- Emotional
- Physical
- Social

Some whole person retention options your firm may want to consider include the following:

- Clear paths to promotion or equity
- 401(k) matching
- Stock options/profit sharing
- Student loan repayment
- Technology reimbursement
- Restaurant or hotel gift cards
- Employee rewards program
- Paid family and parental leave
- Childcare reimbursement
- Diapers subscription
- Eldercare reimbursement
- Adoption assistance
- Mental health workshops/counseling
- Paid bereavement leave
- Mental health days
- Sleep pods/areas
- Public recognition
- Mentorship from partners
- Four-day or shortened work week
- Spa passes
- Gym memberships or fitness classes
- Tuition reimbursement
- Massage chairs
- Exercise equipment or swag
- On-site vaccine shots
- Stand-up or treadmill desks
- Biometric screenings
- Unlimited PTO/sick days
- Paid industry certifications
- Art/music/theater/sports pass
- Paid volunteer days
- Game room
- Themed spirit days
- Bring your pet to work days
- Fun weekend rental car
- Dinner/grocery delivery
- Complimentary lunch and delivery to office or home
- Rotating on-site services

These compensation options not only promote wellness, they also could work wonders in morale, career development, and talent retention. The Indiana professionals who are most committed to staying in public accounting indicate that they are significantly happier with their skills, career development, and identity consideration.

Career and Skills Development Are Major Differentiators

Some of the starkest differences between Current Talent who want to stay and those who are more likely to leave is in their opinions of their firms' support of career development, opportunities to build and use new skills, and creating meaning in the work.

Firms that successfully retain the best talent will be the ones that plan and support career growth, learning, and an impactful application of new skills meeting firms' business objectives and staff career ambitions.

According to the Career Optimism Index by the University of Phoenix Career Institute, the Great Resignation is over and we are now in the Great Talent Stagnation.

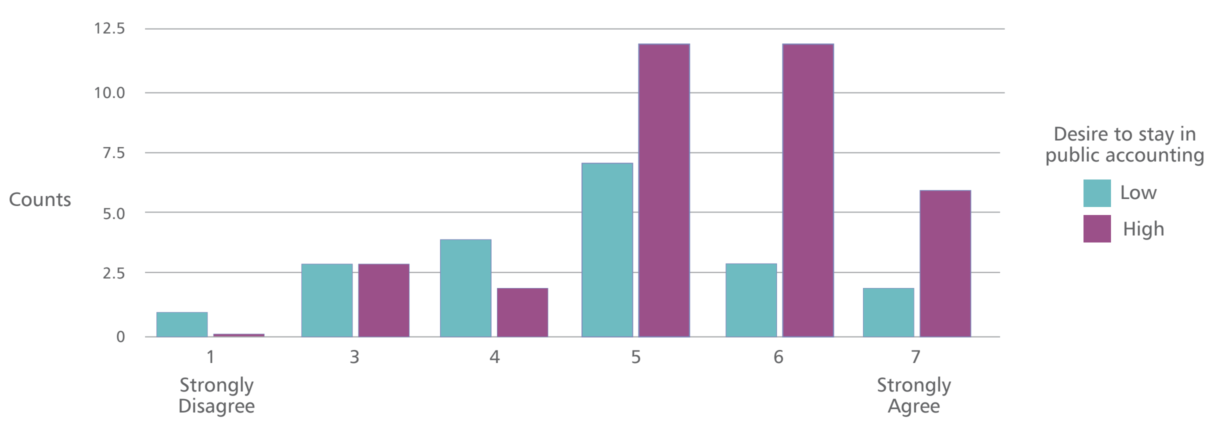
Almost two-thirds of respondents said that their company doesn't offer them a chances to climb the ladder. About a third of workers feel that company management does not appreciate their contributions – so they feel that they are not empowered and productivity drops.[3]

As we'll explore in the Business Model Transformation section on page 18, this requires a dedicated effort. It most likely will not be enough to simply ask line partners and managers to train and develop their teams. A concerted and combined effort by leadership, HR, learning and development, and other departments can materially improve your chances of retaining top talent.

My firm actively supports my career development.

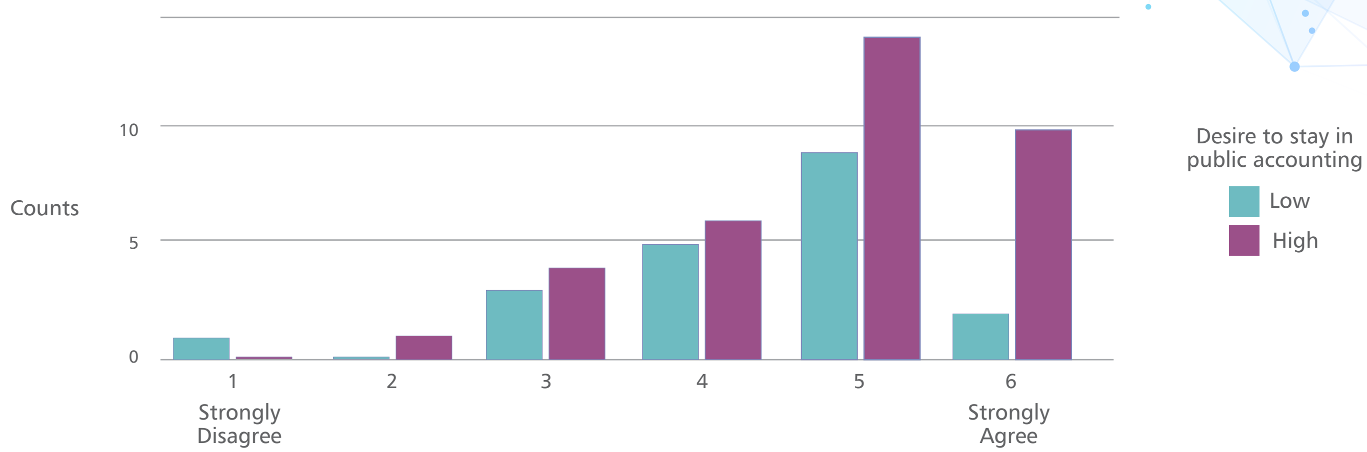
More than 54.5% of those surveyed who have a high desire to stay in public accounting responded that their firm actively supports their career development.

My firm offers interesting career opportunities for me.



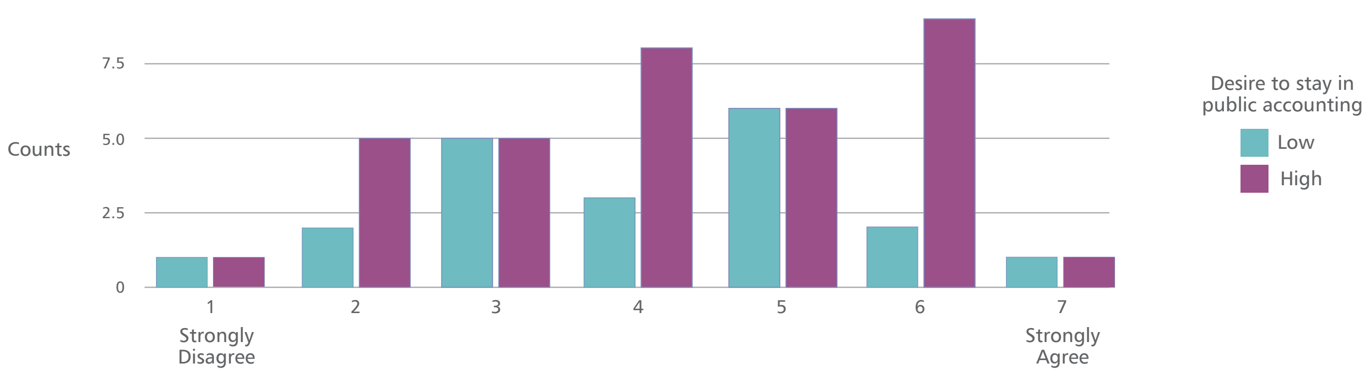
More than 54.5% of those surveyed who have a high desire to stay in public accounting responded that their firm offers interesting career opportunities for them.

My work allows me to fully utilize my professional skills.



More than 54.6% of those surveyed who have a high desire to stay in public accounting responded that their work allows them to fully utilize their professional skills.

My work is a central part of my identity.

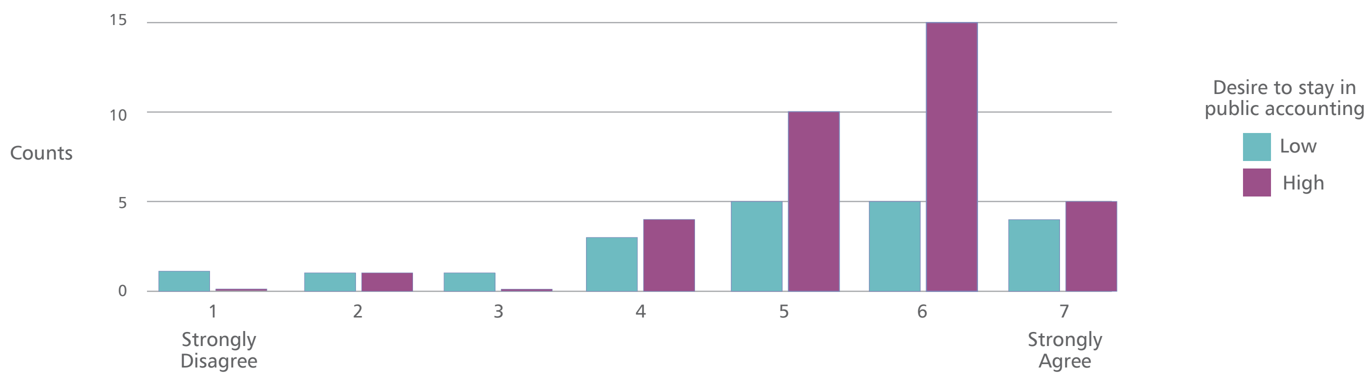


More than 43.2% of those surveyed who have a high desire to stay in public accounting responded that their work becomes a central part of their identity.

Today's professionals likely have much different answers to how central their career is to their identity than what respondents might have said in previous generations. Firms must account for this difference as their staff invests less of their egos and values in their profession than current leadership might.

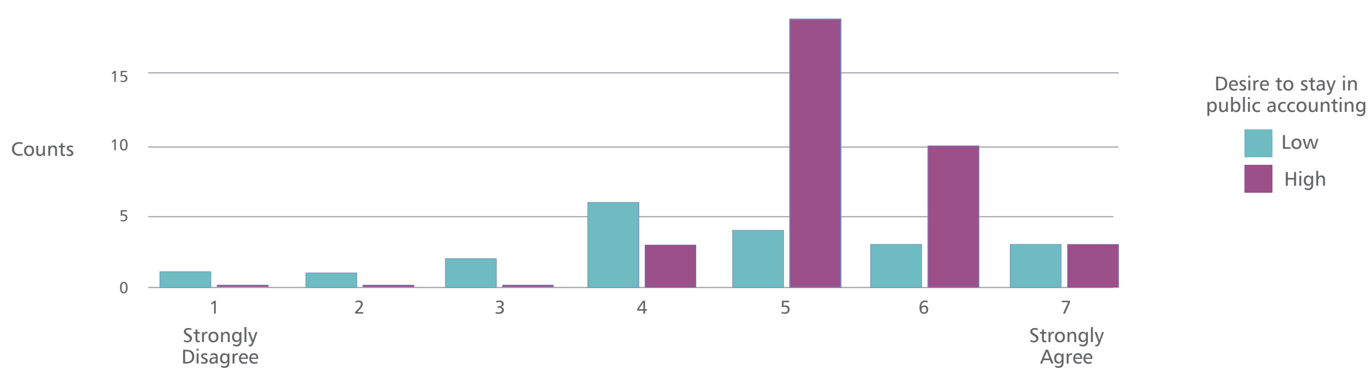
When we surveyed those in the Current Talent group who had responded that they had a high to extremely high desire to stay in public accounting about what value they bring to their firms, their responses were overwhelmingly confident, as shown in the next three graphs.

I feel like I impact others with my work.



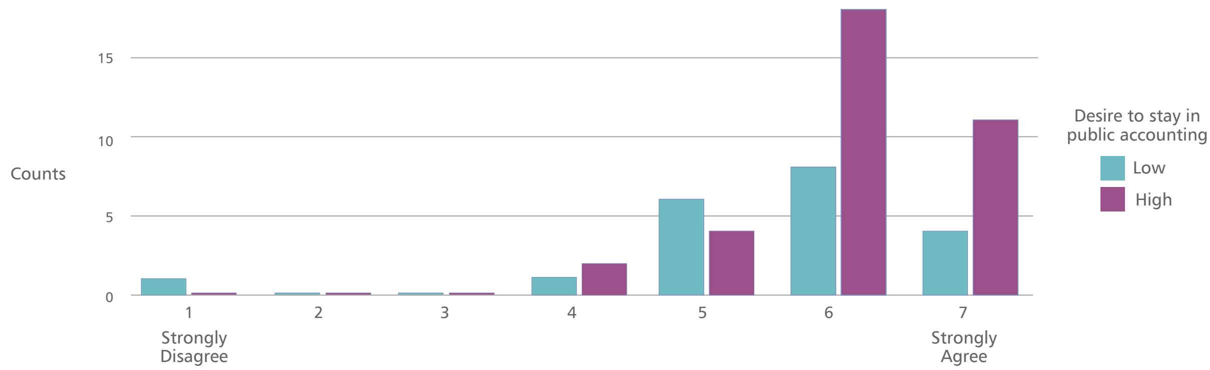
More than 54.6% of those with a high desire to stay in public accounting also highly agreed that they impact others with their work. Only 1.3% of this survey group did not agree with the statement.

I believe I have a very high level of expertise and skill in my occupation.



More than 58.2% of those with a high desire to stay in public accounting agreed to some degree that they had a very high level of expertise and skill. This is important background for managers to know as they try to retain and motivate specific employees.

Besides pure expert knowledge, I possess many soft skills competencies that are important in different jobs.



More than 60% of those with a high desire to stay in public accounting highly or strongly agreed that they possess many soft skills competencies that are important in different jobs. Management need to be aware of these soft skills as they could make the difference in candidate selection for a specific position.

> **"The mentorship of partners or partner-like figures in the workplace would be invaluable. I think the way to keep people in the field engaged in the work is by communication and leading by example." - Director**

Balancing Work-*Life* and Work*load*

Workload management is broken in the accounting profession. This is hurting recruitment and retention of staff, and has become a self-perpetuating problem. Firm leaders must break the cycle.

If your firm is serious about effective talent retention, you need to prioritize work-life balance strategies for your employees. Work-life balance is a top-of-mind concern for employees of all walks of life:

- **Women:** A study conducted by the Center for Talent Innovation found that women are more likely than men to leave their jobs because of a lack of work-life balance.
- **Immigrants:** According to research from the University of California at Berkeley, immigrants are less satisfied with their jobs when compared to native-born workers. In fact, nearly half of all immigrants say they would leave their current job if they could find another one that better accommodates their needs outside work.
- **Gen Z:** According to Deloitte's 2019 Global Human Capital Trends report, Gen Z (those born between 1995 and 2004) place greater importance on work-life balance than other generations did at similar ages—and this trend will continue.[4]

Our research validates these data points. We asked Current Talent to complete the following statement, "My desire to stay at my firm or in the accounting field would increase if…," and here are some of the most popular responses.

My desire to stay at my firm or in the accounting field would increase if…

Leadership balanced workload among staff more evenly.	36.6%
My working hours were capped (e.g., 40 or 50 hours per week).	31.0%
There were better benefits offered (e.g., extended parental leave, sabbatical, increased PTO).	31.0%
Leadership balanced workload among parts of the year more evenly.	28.2%
There were more flexible work options around hours and location.	23.9%
There were better time-off packages offered.	19.7%

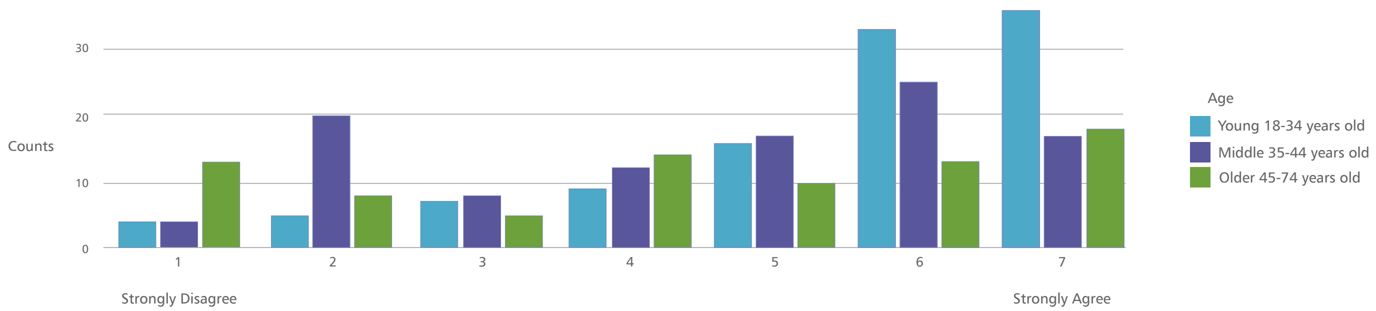
We also asked Career Changers to complete the following statement: "My desire to stay at my firm or in the accounting field would have increased if..." The responses are similar, but the ranking of them is noticeably different.

My desire to stay at my firm or in the accounting field would increase if…

There were more flexible work options around hours and location.	35.6%
Leadership balanced workload among staff more evenly.	32.1%
There were better time-off packages offered.	31.9%
There were better benefits offered (e.g., extended parental leave, sabbatical, increased PTO).	30.4%
Leadership balanced workload among parts of the year more evenly.	28.2%
My working hours were capped (e.g., 40 or 50 hours per week).	24.4%

Broadening this out at the national level, we are seeing that professionals of different ages are desiring different types of support at work. The data for young professionals backs up what you are likely grappling with in your organization – young professionals are demanding more balance.

My desire to stay at my firm or in the accounting field would increase if… my working hours were capped (e.g. 40 or 50 hours per week).

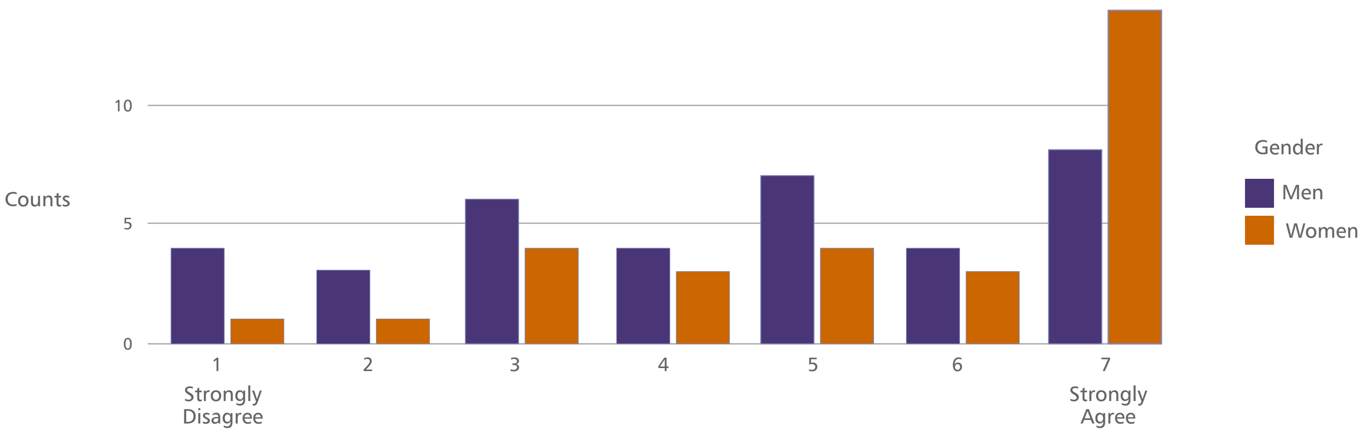


Those who are younger and middle-aged desire working hours to be capped (i.e., at 40 or 50 hours per week) significantly more than older respondents.

Women selected the highest level of agreement, – significantly more than men – when it came to flexible work options around working hours and location.

> **Women selected the highest level of agreement (7) – significantly more than men – when it came to flexible work options around hours and location being retention drivers.**

My desire to stay at my firm or in the accounting field would increase if… there were more flexible work options around hours and location.



> **"Managers and senior managers are doing most of the work because of the difficulty of training new people when there is a time crunch, and the firm is more concerned with increasing revenue than the well-being of their employees. It causes burnout." - Senior Manager**

Five Strategies to Help Firms Provide Better Work-Life Balance

1. **Don't overwhelm the team.** Many firms have experienced record growth in recent years. Now is the time to do more capacity planning. If your firm cannot acquire the talent it needs to complete its work, consider part-time employees, contractors, and offshore teams. Find solutions to increase the overall firm workload, but not the individual workload.

2. **Offer engaging work.** Although some work will always seem mundane but necessary, be proactive in offering opportunities for more challenging and engaging work, such as advisory.

3. **Lead by example.** Firm owners and partners can show employees that they value a healthy work-life balance by taking time off and sharing social events and hobbies.

4. **Implement flexible time policies.** Use a new flex-time policy as a competitive differentiator and advantage. Maybe some employees come in later and stay later. Maybe some work a longer four-day workweek to gain three-day weekends. You will be surprised how much employees value flex time, which will increase loyalty and productivity once they experience it.

5. **Instill a culture of wellbeing.** In too many firms, it is still frowned upon to leave at a reasonable hour, not work on the weekends, or take a vacation. Many employees feel these actions will limit their career path and reduce opportunities. Make your firm stand out. Offer wellbeing workshops and webinars. Track overtime and force balancing. Allow for a wellness or charity/volunteer day. Create a library of resources so employees can focus on their wellbeing. Empower employees to help decide how the firm invests in wellness.

Financial Compensation

A report on retention would be incomplete without acknowledging the role of compensation. While our findings support much more nuance and opportunity to improve retention than simply "paying more and expecting less," the profession still has work to do on increasing financial incentives. Progress is being made, but accounting is a pay-laggard among most financial professions.

We asked the Current Talent to rate a number of answer options for the following statement, "My desire to stay at my firm or in the accounting field would increase if…". Compensation factors were the first and fourth highest rated considerations.

My desire to stay at my firm or in the accounting field would increase if…

There were higher salaries.	46.9%
My working hours were capped.	42.3%
There were better benefits offered.	37.4%
I was given more significant incentive compensation opportunities earlier in my career.	32.9%
There were more flexible work options around hours and location.	32.9%
Leadership balanced workload amongst staff more evenly.	32.9%
There were better time-off packages.	28.6%

Firms have to pay quality talent what they are worth or risk losing them. Your firm is in a compensation competition for the best talent with many professions — not just accounting. Although salaries in accounting have been rising, they are not increasing quickly enough to keep pace with other industries. This disparity is evident in the comparison of starting salaries for accounting majors with those in other fields. Salary acceleration paths need to be implemented to remain competitive.

Mean Starting Salaries for Bachelor's Degree Holders

Field	2020	2021	2022
Computer and Information Sciences	$80,477	$81,202	$86,964
Engineering	$72,115	$71,516	$76,249
Statistics	$75,916	$75,457	$75,916
Management Information Systems and Services	$62,429	$64,734	$71,208
Finance and Financial Management Services	$59,627	$62,163	$66,650
Accounting and Related Services (Accounting Major)	$54,809	$56,103	$60,698

Source: National Pipeline Alliance Group [9]

Familiarize yourself with current compensation numbers across roles, geographies, years of experience, and more, and continue salary increases. As shown earlier on page 4, higher salaries, combined with other benefits can generate material savings in recruitment costs. According to *The Wall Street Journal*, the salaries offered to U.S. accountants and auditors last year climbed at their quickest pace in recent years. On average, offered starting salaries for entry-level accounting and auditor positions rose 13% from the year before, compared with increases of 4% in 2021 and 2% in 2020.[10] There is still ground to cover.

The biggest question to answer regarding increasing compensation is how firms can afford to continue the soaring costs of talent. We'll discuss this further in the Business model Transformation section on page 18.

> **"Higher salaries are a must for keeping people at my firm and in the accounting field. There's a lot of education and exams to be a trusted professional in this field, not to mention long hours, constant deadlines, and few down times. Salary should be in accordance with those requirements." - Staff Accountant**

Tips to Approaching Salary Increases With Your Top Performers

When it comes to talent retention, increased financial compensation is a great place to start to ensure your top performers stay with your firm and continue performing at elevated levels. Here are a few tips to stay engaged with your top performers.

1. **Be open, honest, and frequent with your discussions.** You shouldn't wait to have discussions with your top performers once a year. Talk with them throughout the year about their goals and progress. This approach minimizes any surprises that often arise with an annual review. Also, let them know your intentions. Perhaps you are working on an out-of-cycle increase. Maybe you are looking at a special bonus. Tie everything back to performance.

2. **Provide alternatives to higher salaries.** If you can't provide a salary increase right now, don't overlook other options, such as bonuses, lifestyle benefits (like memberships or reimbursements), flexible schedules, remote work opportunities, additional paid time off, and promotions. These options are appreciated and often reduce childcare and transportation costs or allow meaningful time away from the firm to occur.

3. **Conduct regular salary reviews.** At least once a year, compare your firm's salaries and benefits against reference tools such as the U.S. Bureau of Labor Statistics' Occupational Outlook Handbook. Also, talk with recruiters and conduct internal surveys. Market conditions are going to change salary expectations. You know your top performers are doing some research on their own.

4. **Develop clear criteria.** Have several people participate in your evaluation process and criteria. You want to make sure that everyone involved in determining a possible salary increase is using the same criteria and process—thus creating checks and balances. This approach ensures that any personal bias is minimized.

5. **Give them the big picture.** Give them facts and context that puts everything into perspective. Too often employees do not understand how skills and salaries are valued at a competitive level. Explain to them how decisions are made. This will help you be better prepared for a reaction, whether negative or positive. Top performers like to hear that management put time and effort into identifying and appreciating their work.

Business Model Transformation

The imperative is clear: firms must transform to retain their best staff and make the most of their opportunities.

To afford the high cost of retention and transformation, firms should consider practical and philosophical changes to issues big and small. We propose starting with a careful examination of four areas:

1. Balancing Pricing and Billing with Staffing and Scheduling
2. Ownership and Governance
3. Build a Pentagon, Not a Pyramid
4. Invest in Strategic Planning

The paths forward in each area will depend on your firm's current state, plans for the future, and openness to change. It's past time to think big and break old things before they break you.

Balancing Pricing and Billing with Staffing and Scheduling

It's hard to pay differently if you don't price differently. The same is true for providing enhanced "whole person" benefits. Both sides of the equation need to balance: how you price and bill directly defines how you staff and schedule. It all adds up to your retention potential.

Underpriced engagements relying on the hourly billing of overworked resources is a recipe for burnout up and down the firm hierarchy. It is a virtual guarantee that talent will head for the exits. However, firms have seen record growth and higher profits across the board. Why should they change?

Because staff are demanding it, and they have the power to drive down growth and profitability in the future.

Pricing and Billing
In CPA Crossings' 2023 research, *The State of Public Accounting Firms in Pennsylvania, How Does Your Firm Measure Up?*, they found that 78% of small firms and 66% of mid-size firms engaged in alternate pricing and billing models, but most firms were only applying those models to traditional, low-margin compliance businesses (tax prep, bookkeeping, etc.). Enabling higher wages and better workload management might come easiest when firms divorce more of their business from hourly rates and move to value-based billing, subscription service, and other nontraditional models.

Managing partners frequently cite reluctance from line partners when discussing billing and pricing changes. Partners are reluctant to price themselves out of the market, damage relationships with longtime clients, or lose business to rival firms – even low-margin, staff-crushing, bad-fit revenue. Firms should invest in understanding how their best performing peers are changing, share success stories and best practices throughout the firm, and consider external consultants or experts to help deliver the message. More on that in Invest in Strategic Planning on page 21.

> **Firms need to shift from charging for time to charging for trust.**

Our profession exists to provide confidence, and when we center the tremendous value of trust in our engagements, we can price and manage the work differently.

Staffing and Scheduling
Careless scheduling can be gasoline on a retention fire. Critical scheduling issues like overscheduling your best staff, poorly planned or unplanned engagements, unprepared clients, and failing to proactively identify workload red flags show your best performers that getting the work done at all costs means they're the ones covering those costs.

Software can help. Considering stand-alone tools that integrate with, but aren't the potentially antiquated tools built into your firm management software, could help with some of these issues.

Staffing variables that relate to your business model also include how you align teams and individuals, how you promote, and, as described in the Balancing Work-*Life* and Work*load* section on page 12, how you develop talent. Many firms are asking professional staff which clients or industries they want to work on, and designing personalized employee engagement plans for the staff. Of course, this makes scheduling more difficult, but the retention benefits may outweigh the effort. Firms are also considering promotion based on attainment of competencies and meeting value metrics (described below) rather than utilization or first-in-last-out badges of honor. In fact, some progressive firms are using scheduling software to flag associates with the highest billable hours and require vacation time for those that regularly exceed the expectation. They have determined that burnout is more costly than a loss in billable hours.

Putting team wellness at the top of the leader's priority list can be a real accelerant to productivity. One high-performing managing partner of a high-growth firm said that the biggest and most important part of her job is tracking and correcting for staff wellness. The firm is reaping the rewards of higher retention among experienced staff and better lateral recruitment. Another managing partner dug into historical records and found that today's early career professionals are in fact logging more billable hours on average than the current class of partners did at the start of their careers. This is a compelling data point for partners who feel that younger professionals aren't "putting in the time."

If a firm is going to change these things, performance measurement and management must change, too. Most firm and individual performance indicators are rooted in the billable hour. Perhaps firms should be looking at value metrics such as client satisfaction, loyalty, efficiency, and profitability. For now, that is easier to apply to advisory and tax engagements than audit, but firms shouldn't miss the opportunity to reshape the work of audit as technology optimizes process. In doing so, also rethink pricing, billing, and scheduling.

Ownership and Governance

Accounting firm ownership isn't as simple as partnership anymore. Like a lot of trends in the profession, this change started among the largest firms, but it is quickly taking hold in firms of all sizes.

Ownership

Alternate practice structures picked up steam in the past decade, and today firms of all sizes are using nontraditional ownership models to incentivize staff and fuel growth. Taking on funding from private equity or other financing sources can help fund retirements, paving the way for new leadership and owners, and it can help fund investments like the ones we recommend throughout this report. Of course, they come with different accountabilities and considerations, so firms must proceed thoughtfully.

Employee stock ownership plans (ESOPs), early-career lower-investment partnership options, and other forms of ownership might help certain staff engage earlier and stay committed to the firm sooner. Even among traditional partnership models, firms are rethinking the role of the partner with questions like, "Do partners need to be business developers?" or "If partnership isn't for some people, what is an alternate career path?" The answers to these questions have more firms developing roles for nontechnical business development professionals to ease the burden on more technical managers and partners, and creating well-compensated roles that don't equate to partnership for those who don't want those responsibilities. In some firms, partners are specifically assigned based on their individual competencies to be business developers, people developers, or technical doers. Each type of partner has unique metrics to measure performance, which enables the firm to grow and partners to do what they are best at.

Governance

Many progressive, high-growth firms are deciding to operate more like corporations than partnerships. This means new leadership roles, new ways of doing business, and accelerated transformation.

The managing partner as a leader/doer often leaves one side of the slash shortchanged. Firms are recognizing that leading the business should no longer compete with direct client service in the corner office, so they are naming CEOs instead of managing partners. CEOs pass off their clients and focus on vision, strategy, people, and growth.

Of course, firm leadership must continue to center the client in every decision, but focusing on running the business can have a big impact on growth and profitability, and only growth and profitability can provide a firm with the resources and opportunities to effectively retain their best staff.

In addition to a CEO, firms are building leadership teams beyond typical service line leaders. Chief operating officers, chief growth/business development officers, chief transformation officers are no longer uncommon in growing firms. In some models, while the CEO has primary responsibility for employee wellness and retention, they also name an executive with direct responsibility for the employee experience. By tasking an executive with this, the firm publicizes their commitment to retention and has a better chance of delivering the career lifestyle that today's professionals demand.

Combined, the restructured management team's efforts can help achieve the CEO's vision and strategic growth goals while helping partners and professional staff adopt and optimize operating model changes. In the most successful examples, these new management teams allow the firm to actualize the pricing, billing, staffing, scheduling, technology, and wellness changes more quickly and effectively than a partner-led firm might be able to, given traditional partners' need to prioritize client service and engagement deliverables.

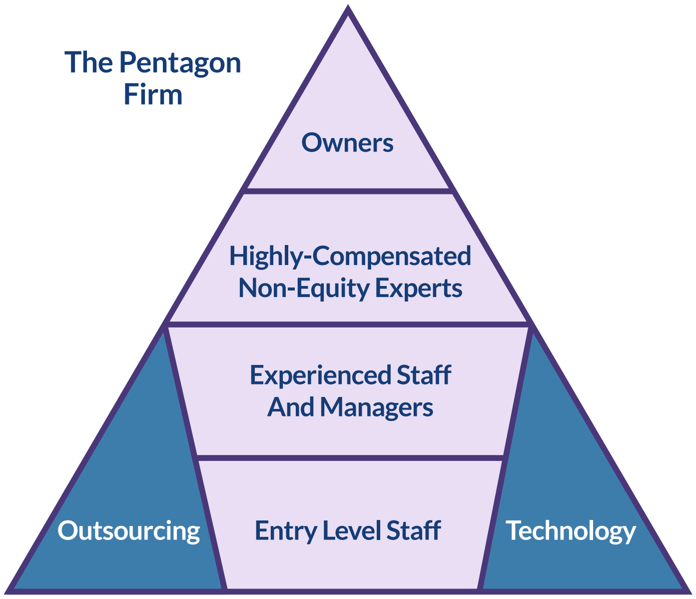
Build a Pentagon, Not a Pyramid

For over a century, most professional service firms have relied on a pyramid-shaped practice structure to operate and grow. They recruit legions of inexperienced staff each year, leverage work to the lowest level, maximize their utilization, and "weed out" underperformers through continuous burnout. Over time – decades in many cases – if you survive, you could reach the skinny top of the pyramid and reap the benefits of ownership.

This model is broken.

There aren't enough qualified staff to maintain the wide bottom of the pyramid, and during the past five years firms buckled beneath the under-staffed pressure. The critical middle of the pyramid (seniors and managers) also unleashed drastic changes in preferences, demanding much different rewards for their work, as demonstrated in this report. And they left firms in droves, leaving a gutted middle and bottom.

Accounting is not alone in the winnowing supply of qualified labor, and demographic realities make it unlikely to regain a prepandemic-level of hiring. Firms need to rethink the model. Enter the Pentagonal Professional Services Firm.



Adapted from AICPA and other sources.

In this model, automation, AI, and other technology replace part of the need for the pyramid's wide-bottom, and outsourcing replaces a bit more. Firms recruit smaller classes of new associates and retain more of them. But that retention requires all the best thinking in this report. Additionally, firms need to fatten the middle of the pentagon by recruiting more lateral hires – experienced professionals, especially those that have not worked in accounting firms, like technologists, corporate finance experts, business developers, and others – to deliver on client needs.

Technology is the best place to leverage work in a pentagonal firm, and must be the first place that everyone in the firm turns to get work done. We expect the corner of the pyramid that is replaced with technology to continue to grow and advance up the pyramid as time goes on. Across the profession, there is a broad spectrum of outsourcing adoption. Many firms have been outsourcing all types of work through offshoring, near- or on-shoring, or partnerships. Others have refused, fearing poor quality, client revolt, or other concerns. But outsourcing lower-value tasks to outside providers could be an essential way to retain your best performers and enable them to do the work they love.

Invest in Strategic Planning

The best performers in transformation and, by extension, retention are the firms that are intentional about growth, engage help from experts, and invest in team alignment by conducting thorough and ongoing strategic planning. Just like "Same As Last Year" isn't an option for client engagements, it's also not a viable business strategy any longer.

Even though they may offer business advisory or consulting services, it can be difficult for firms to take their own advice and bring in help. The fact is your staff are hearing from their peers what life is like in other firms. If your staff's experience doesn't measure up, it could contribute to poor retention. Using an external facilitator or consultant to help build a plan will enable you to also hear external perspectives and best practices from other firms and ensure that your staff are the ones sharing "employer of choice" experiences.

Here are a few important items that strategic planning can help uncover or solve:

- Partner reluctance to change: Convincing partners to invest and change is a primary obstacle to transformation. An outside expert can help provide a strong case with examples of success and an outsider's perspective. Further, a strategic planning process can help build a process for courageous prioritization of good fit revenue, even when partners make a case for keeping their favorite low-margin, staff-crushing client or service line.

- Specialization: Generating retention-fueling growth and profitability (along with career paths and other critical elements of keeping your best performers) might be helped by firm and individual specialization. The fastest growing firms are often the ones that don't provide every service but provide some services exceptionally well. Strategic planning will force the firm to consider specializing by geography, industry, or service line in a way that can drive intentional growth.

- Building new models for operating and getting work done: The operating models for compliance might not work for higher growth advisory services. It's hard to just create advisory work with existing clients – and it's difficult to scale and may not be profitable. Retooling compliance-focused partners and professionals to become advisers is one of the most difficult tasks a firm can undertake. If the firm is going to operate in advisory, it needs to commit to advisory and build it as a separate line of business with a focus. Strategic planning can help identify the right places to invest and the skills needed to grow in new offerings.

This is just a sample of how intentional strategic planning can accelerate business model transformation, resulting in a strong, more sustainable firm that can afford to attract and retain the best staff.

> **"I feel like I don't know what is happening at my current firm in terms of the future, and being in middle management, that's a scary thing to not know. I need to know if there's a plan to reduce hours or increase salaries in order to decide if I want to stay or go somewhere else."**
> **- Manager**

Conclusion

The purpose of this research is to help your firm start or accelerate a necessary evolution. Most firms have seen record-breaking growth and profitability using a business model that has worked for decades. Unfortunately, there are dramatic market conditions that have arisen which may impact your firm's growth, profitability, and ability to hire and keep talent:

- More than 70% of CPAs are near or at retirement age and are retiring in the next decade or so.
- The number of U.S. college accounting graduates is dropping and the number of candidates taking the CPA Exam continues to shrink.
- Gen Z – which has different priorities than your current staff when it comes workplace environment, compensation, benefits, leadership, flexible work options, culture, DEI policies, corporate mission, and more – will transform the labor market.
- The majority of current staff are not interested in becoming partners.

The only way to address these conditions is to adapt to a new employee- and client-driven business model. For the employee-driven model, in addition to providing higher salaries, firms must apply whole person retention, work-life balance, employee experience/engagement, and new compensation and ownership considerations, especially if they want to keep a higher percentage of top performers.

The adoption and leveraging of technology is so important that INCPAS has published a separate research white paper focused on the challenges, opportunities, and landscape of the accounting firm technology stack. Deeper focus will be placed on the role of artificial intelligence in the CPA profession.

Despite a shortage of top performers, the volume of accounting work continues to increase. Those firms that plan for, budget for, and implement an enhanced or new business model now will be in the best positions to balance in-house and outsourced talent with quality and volume of work later.

Of course, your firm does not need to do it on its own. INCPAS is equipped with the resources, relationships, influence, knowledge, and expertise to scale and maximize your talent retention and business model transformation initiatives. Reach out to INCPAS today.

Deeper Dive: Factors Impacting Talent Availability

When it comes to the CPA profession, the world is a different place than it was just a few years ago.

Nowhere is that more noticeable than in talent retention. Trends arising during the COVID-19 epidemic and magnified during The Great Resignation have created an on-going situation where the supply of quality accounting professionals is not keeping up with the demand. According to 2023 finance and accounting trends published by Robert Half, 89% of surveyed employers indicate that they faced challenges in finding skilled talent.[11]

Beyond COVID-19 and the Great Resignation, other variables widening the current gap between supply and demand of CPA talent include the following:

- *A large share of firm leadership is eligible for retirement.*

  A recent Rosenberg Survey showed that the share of partners over the age of 60 to be 25%.[12] The AICPA goes further, stating that 75% of employed public CPAs have met retirement age and will retire in the next 15 years.[13]

- *The number of U.S. college accounting graduates is dropping.*

  According to an AICPA graduate hiring report, about 47,000 students earned a bachelor's degree in accounting in 2022, down 7.8% from 2021. There were about 18,230 students who earned a master's degree in accounting during the same time, a drop of 6.4%.[14]

- *The number of candidates taking the CPA Exam continues to shrink.*

  The number of U.S. candidates who took the Uniform CPA Examination in 2022 was about 67,000, down from 72,000 in 2021, a 7% decrease.[15] According to the National Association of State Boards of Accountancy (NASBA), the number of registrants who sat for one of the sections of the CPA Exam has dropped by 12% in recent years.[16]

- *The cost of education continues to rise.*

  Between 2000 and 2021, average tuition and fees jumped by 69%, from $8,082 to $13,677 per year.[17] The average college tuition in the U.S. is currently $9,349 for in-state students and $27,023 per year for out-of-state students at public 4-year institutions.[18]

- *The cost and time investment for the CPA Exam and licensure are perceived to be too high.*

  In the CPA Crossings research white paper, *The CPA Pipeline: Crisis and Opportunity, Evidence-Backed Action the Profession Can Take Today*, the findings showed that the 150-credit-hour course requirement is negatively impacting the pipeline, but not just because of the cost. More of those surveyed were concerned about the time required (52.9%) than the cost (47.0%).

Yet, while the profession must address the challenges of talent acquisition and talent retention, it must also focus on the challenges of growth and delivering quality service. According to *The CPA Journal*, the accounting profession had a banner year. Revenue was up 9.5%, the largest increase since 2007, and income per partner was up 12.0%.[19] In a recent Wolters Kluwer study, 48% of firms noted an increase in service engagements, 54% of firms reported an increase in profitability, and 47% of firms reported this past season was somewhat or much better than last year.[20] New accounting regulations, busier tax seasons, and late and unprepared clients are some of the reasons for this revenue increase.

In that same Wolters Kluwer study, 45% of respondents were only "somewhat confident" in their firm's ability to meet market needs.

While the gap between talent supply and demand grows, firm leadership can no longer just accept the status quo or ignore the perspectives and priorities of younger generations. Nor can it accept that the only solution is to pay more and expect less with staff. Compensation is an important driver, but leadership must start looking at the needs and wants of the whole individual employee. One size does not fit all. Leadership must look at talent retention as a vital exercise to retain the best or the right talent, not just any talent. In some cases, talent retention efforts may require releasing talent that does not have the skills or experience to support a new business model.

> **Leadership must look at talent retention as a vital exercise to retain the best or the right talent, not just any talent. In some cases, talent retention efforts may require releasing talent that does not have the skills or experience to support a new business model and services.**

This research was commissioned to help INCPAS members and those in Indiana CPA firms answer fundamental questions such as:

- "Why are employees leaving our firm?"
- "What can we do to reduce turnover within our firm?"
- "How are various groups within our firm differ in their responses?"
- "What are the priorities of our talent?"

> **"I have been in a senior supervisor level for about five years now and have not been promoted to a manager position yet, even though everyone comes to me to get answers and to train the lower-level staff. So much work, just two weeks' vacation, and an average salary does not help either." - Senior Supervisor**

This research provides firm leadership and readers with key findings and insights to help develop solutions around the following:

- Whole-person compensation
- Work-life balance and workload
- Diverse talent retention
- Financial compensation
- Business model and operations

To become or remain an employer of choice in this challenging labor market, firms must continually reassess their employee retention strategies and policies to keep up with changing employee mindsets, workforce conditions, and technology advancements. This is where this research can help. To learn more ways to tackle the talent retention problem, reach out to Stacey Wilson, Chief Operating Officer at swilson@incpas.org.

About INCPAS

The Indiana CPA Society (INCPAS) is a statewide professional association representing nearly 6,000 current and aspiring CPAs and related professionals who are transforming business in Indiana. We are dedicated to serving the public interest as well as our members, advocating for the profession through education, public awareness, government relations, and the promotion of high ethical standards. Our programs and services are designed to meet the diverse needs of our membership.

About CPA Crossings

This research has been done in partnership with CPA Crossings. The CPA Crossings Research Program offers a powerful benefit to drive member and staff retention. Now is the time for state CPA societies, associations, and independent firms to embrace new ways to increase their appeal to prospective members and to strengthen current staff relationships. Publishing customized state-specific research provides insights on critical topics facing the accounting profession.

CPAx becomes your resource partner in collecting data, analyzing results, and producing customized research reports. For every project, CPAx provides comprehensive research to share with members and staff relationships with data and analysis on the hottest topics trending in the accounting profession. We create the research instruments, conduct the data collection, analyze the results, and produce reports or presentations of findings. Your research is delivered with actionable insights that we can highlight using your society or firm branding. All of this is done in a timely manner to make an impact on the appropriate target market. We also provide marketing launch support to help amplify the message and ensure that your members or staff get the most out of the content.

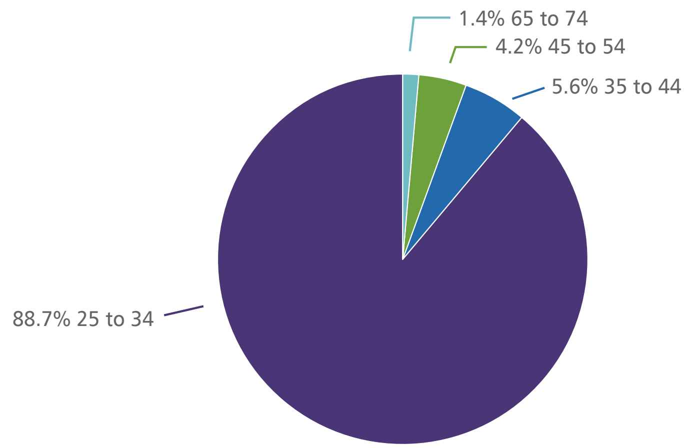
To learn more about our Research Program please reach out to Kelly Waffle, Director of Research, at kwaffle@cpacrossings.com to set up a personal meeting.

About the Research

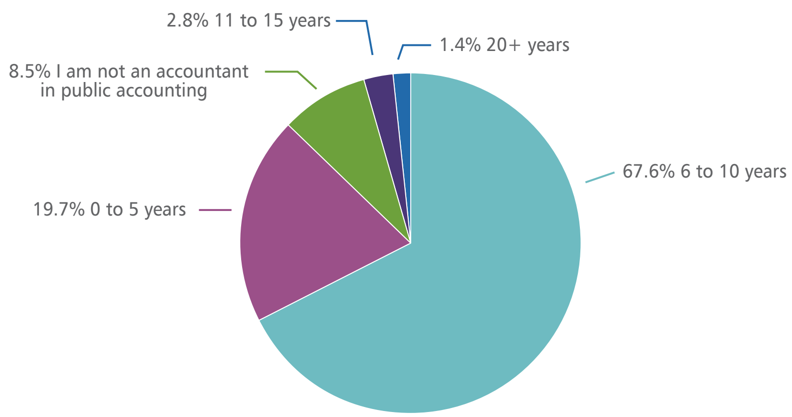
Indiana Survey Respondents (Current Talent Group)

The INCPAS surveyed 71 accounting professionals in Indiana. Of this surveyed group, 87% were between the ages of 25 and 44. Eighty-seven percent of those surveyed have been in public accounting between 0 and 10 years. We believe those within these age and experience groups represent practitioners most likely to consider leaving a firm or the profession. Over 50% of the respondents identified as being “male,” with 42.3% identifying as “female,” and 1.4% writing in another gender.

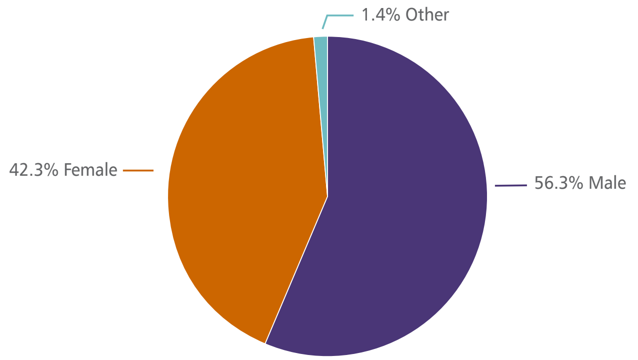
What is your age?



How many years have you been an accountant in public accounting?

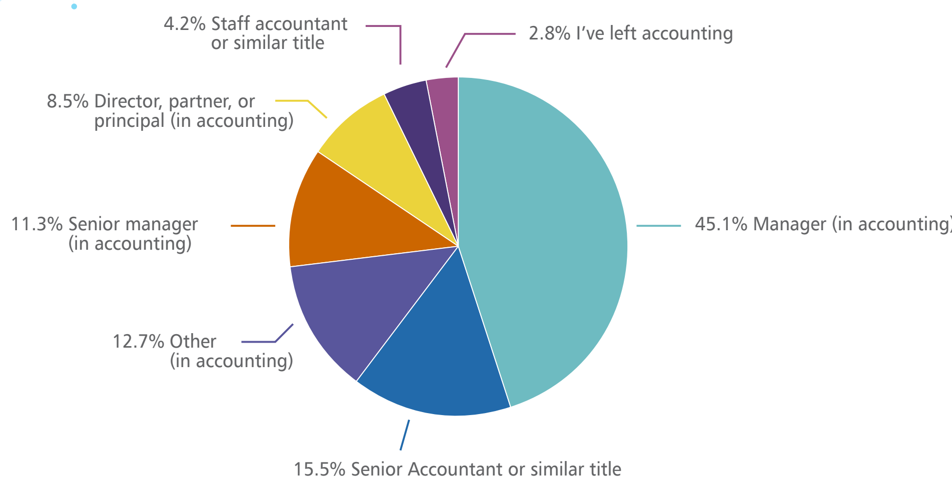


What is your gender?



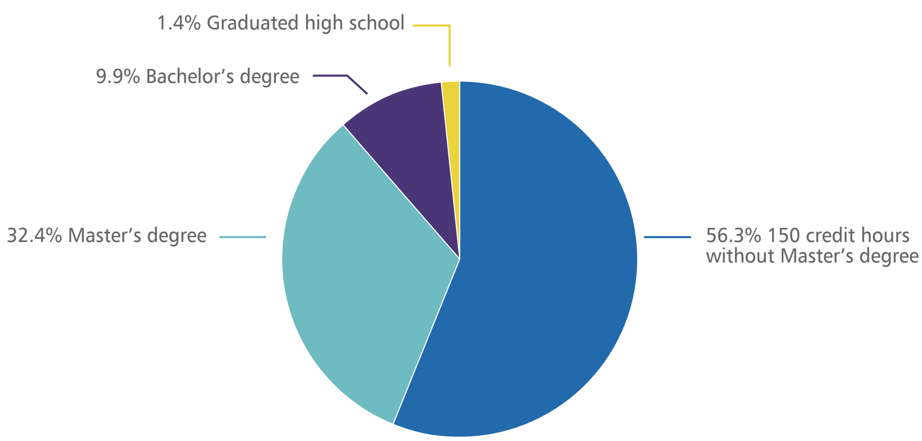
The majority of the Indiana accounting professionals surveyed had the title of manager. Other titles included senior accountant, senior manager, director/partner/principal, and staff accountant.

What is your current job title or role in your organization?



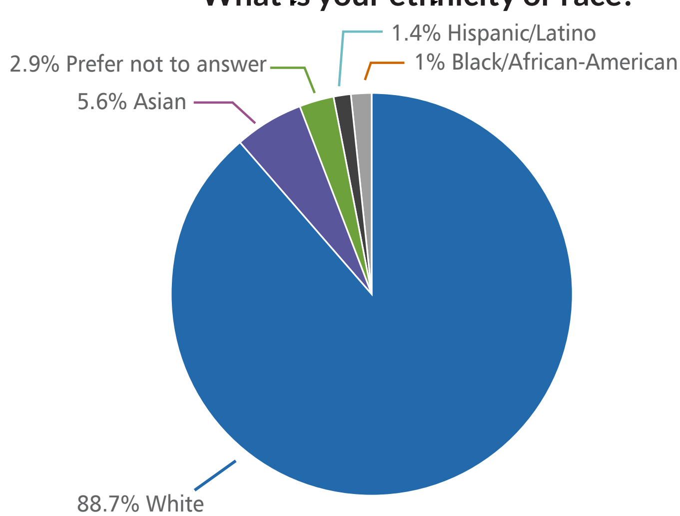
All respondents were already CPAs. A majority described their highest level of education as 150 credit hours without a Master's degree.

What is your highest level of education completed?



Of the Indiana respondents, 88.7% identified as White, followed by 5.6% Asian, 1.4% as Black/African American, 1.4% as Hispanic/Latino, and 2.8% preferred not to answer.

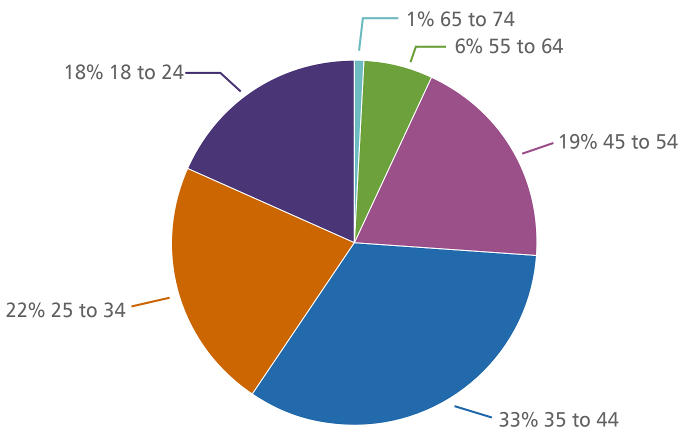
What is your ethnicity or race?



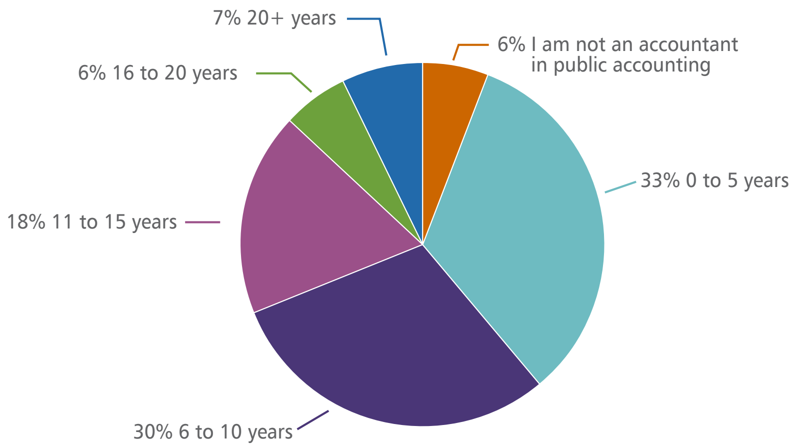
National Survey Respondents (Career Changers Group)

INCPAS surveyed 323 accounting professionals across the United States. Of this surveyed group, 55% were between the ages of 25 and 44. Eighty-one percent of those surveyed have been in public accounting between 0 and 15 years. Fifty-three percent of them have worked in a public accounting firm and then transitioned to a new company within the past five years or have definite plans to do so soon. Over 50% of the respondents identified as being "female," with 48% identifying as "male" and 1% as "transgender male."

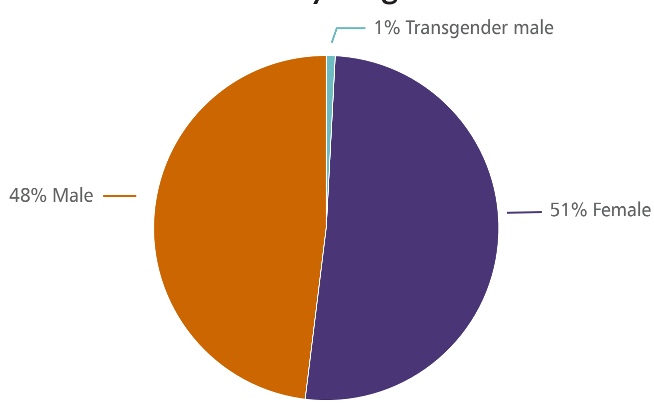
What is your age?



How many years have you been an accountant in public accounting?

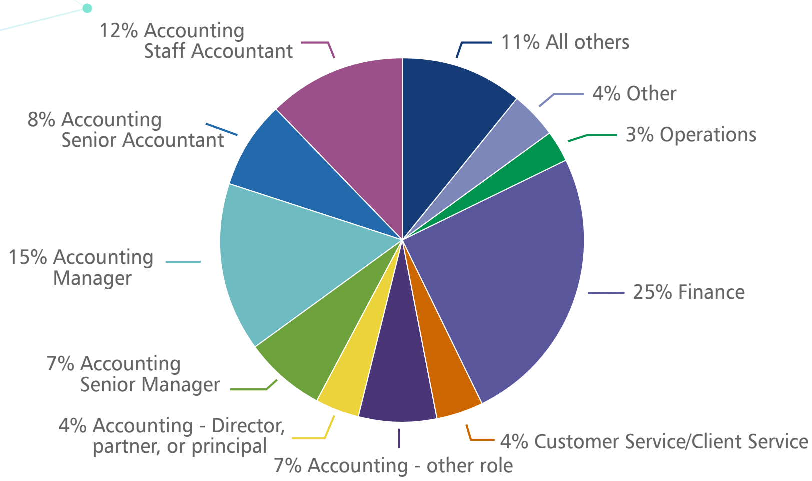


What is your gender?



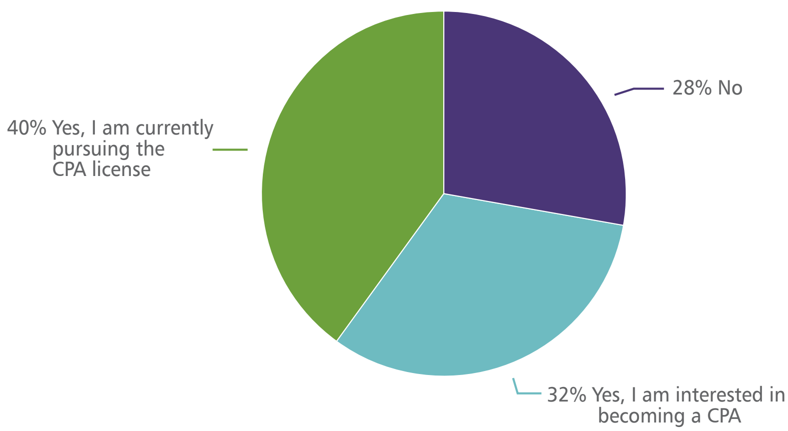
The majority of the national accounting professionals surveyed currently have the role of finance, accounting – manager, accounting – staff accountant, accounting – senior accountant, or accounting – senior manager. Only 6% were accounting – director, partner, or principal or executive leadership.

Which of the following most closely matches your current role?



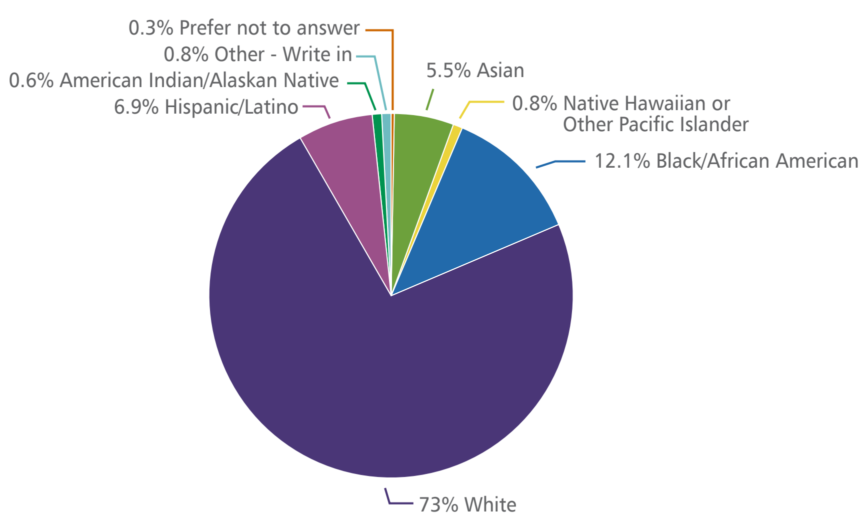
Forty-five percent of those surveyed were already CPAs. Of the rest, 72% were interested in becoming CPAs or were currently pursuing a CPA license.

Are you pursuing the CPA license or interested in becoming a CPA? (Non-CPA Respondents)



Of the National respondents, 73% identified as being White, followed by 12% as Black/African-American, 7% as Hispanic/Latino, 5.5% as Asian, 0.8% as Native Hawaiian or Other Pacific Islander, 0.6% as American Indian/Alaska Native, and 1% as Other.

What is your ethnicity or race?



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