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Do More than Accounting: The Gateway to Becoming a Strategic Advisor



“Our clients are not just looking through the rearview mirror anymore. We’re helping them look through the windshield to see what’s coming and to be proactive.”

– Joe Montgomery III, Partner, Montgomery & Company CPAs

What keeps accountants up at night?

Among smaller firms, 44 percent say retaining clients and attracting new ones is their biggest challenge. For midsize firms, the same survey of 800 accounting firms by *Accounting Today* finds that keeping up with regulatory changes is their foremost concern (36 percent), while for larger firms the issue that’s uppermost (57 percent) is recruiting and holding onto the talent they need.

But while their priorities differ a bit based on their firm’s size, all three issues resonate with accountants across the board, closely followed by concerns about succession planning, keeping up with technology and staying engaged with clients. It is in this context that the right **payroll & HR technology** can play an outsized role in helping firms succeed in the here-and-now as well as the future.

That these challenges reverberate so loudly is due to the circumstances in which the accounting profession finds itself today. A looming wave of retirements, new digital technologies and demands for specialized talent—along with the new federal Tax Cuts and Jobs Act and a constant flurry of new government regulations—have combined to create formidable new challenges . . . but also exciting new opportunities. Adding to the upheaval is the fact that client demands are changing as well. Simply consider the following: One in three accounting clients are now asking their accountants for advice in non-traditional accounting areas such as technology and system integration, according to a recent proprietary survey conducted by ADP®.²

44% of small accounting firms point to **retaining clients and attracting new ones** as their greatest challenge.



In response, many accountants are reinventing their practices and repositioning themselves as strategic advisors. Four out of five accountants, however, admit to not having enough time or knowledge to do so, according to the November 2017 Accountants Confidence Index, conducted by *Accounting Today*. The shift comes as accountants seek to deepen their client relationships and come to terms with new technologies such as robotics and artificial intelligence. Robotics alone is expected to eliminate 40 percent of basic accounting work by 2020³, and future growth, so the thinking goes, will come less from traditional tax and audit services and more from consulting and client advisory services such as strategic business planning and human capital management.

The provision of human resources and payroll services could open the strategic consulting services door for accountants. According to the Small Business Accounting Insights Survey, a study conducted by *Accounting Today*⁴, 26 percent of small businesses received payroll services from accountants in 2018 and 22 percent said they were most likely to use payroll services in 2019.

Succession planning
is a huge concern
for the accounting
profession. 75% of
today's CPAs are
expected to retire
during
the next
15 years.



"Being able to address a wide variety of needs and dive deeper into our clients' industry and business issues is really important to our strategy of being the most valuable advisor our clients have. And while that phrase may be overused, those accountants who execute on it will find success in what has become a challenging market," notes Wade Huseh, Partner at Baker Tilly and Practice Leader of Baker Tilly Advantage in Madison, Wisconsin.

In the past, offering such services could over-extend an accounting practice. But new technology makes it possible to choose from a variety of options that enable accountants to provide payroll services with minimal staff and investment, making payroll a significant source of recurring revenue without necessarily adding a burden. Perhaps more important, providing payroll services can serve as a gateway to the provision of much more lucrative strategic client accounting services (CAS).

The upside on both sides

Payroll compliance services are a valuable and necessary resource for clients, and leveraging technology to provide these services helps accountants strengthen their client relationships and woo new business.

Providing payroll services leads to more frequent client interactions, which helps increase client loyalty and retention. Such services can also play an important role in developing a CAS strategy.

"When you're doing taxes for clients, they're going to come to you with payroll questions," explains Eddie Patel, the president and CEO of Zen Wealth Management Group, a tax and financial planning consulting firm with offices in and around Chicago. "You're not just a tax guy—you're a payroll guy, you're a tax guy, you're a bookkeeping guy, whether or not you're providing these services."

While offering such services is another opportunity for accounting firms to grow their revenue, according to industry observer and former editor-in-chief of Accounting Technology Ted Needleman, accountants that partner with a top-rung payroll provider "can increase the services and value that their firms provide beyond payroll (to include) benefits and human resources tools."

What's more, accountants can also "pass on bulk discounts and earn revenue from the customers they add," Needleman notes. Indeed, leading payroll technology providers offer a full array of human capital management (HCM) services from payroll to time & attendance to benefits to talent management and more – all of which helps accountants better position themselves as strategic advisors and helps clients attract and keep top talent.

Huseth said that Baker Tilly went about choosing an HCM partner with such goals in mind. "We serve clients of all sizes, so it was really important to us when we chose a partner that we picked one that could help us scale our service offering across the entire firm. This allows us to expand our reach with our clients into human capital needs – helping them plan for their talent acquisition, helping them to manage the employees they've got and make better overall decisions," he said.

Working with a leading HCM provider could empower accountants to act as strategic advisors for their clients in additional areas, such as human capital management issues. With access to payroll data, accountants can help companies better manage human resource expenses such as overtime. In addition, if a company wants to expand, an accountant could provide feedback on the hiring landscape by accessing benchmark data to compare their client's annual compensation to the job types they are looking to fill in that area. These same leading HCM providers can even offer advice on the types of tax credits they might qualify for in that area.

As Patel notes, when it's managed correctly, a payroll business can be more than just a source of recurring revenue and steady cash flow—as important as those are. It can also serve as an entrée into other profitable new practice areas. That's because managing a client's payroll yields insights into the rest of the client's operations, paving the way for the accountant to offer additional and very profitable advisory services and to position him or herself as the client's strategic business advisor.

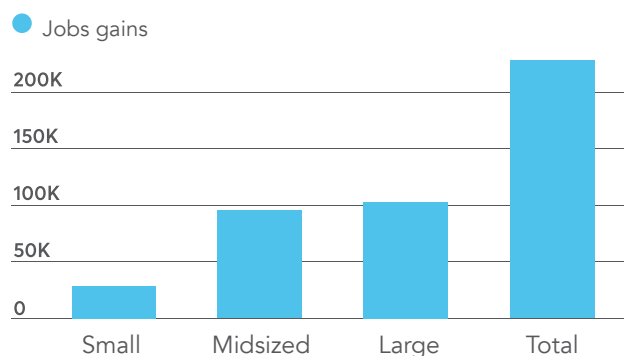
Consider the following: Private sector employment increased by a robust 227,000 jobs in October 2018 but small businesses are struggling to find qualified employees to fill the open slots.

80% of accountants admit to **not having enough time to reinvent their practices.**

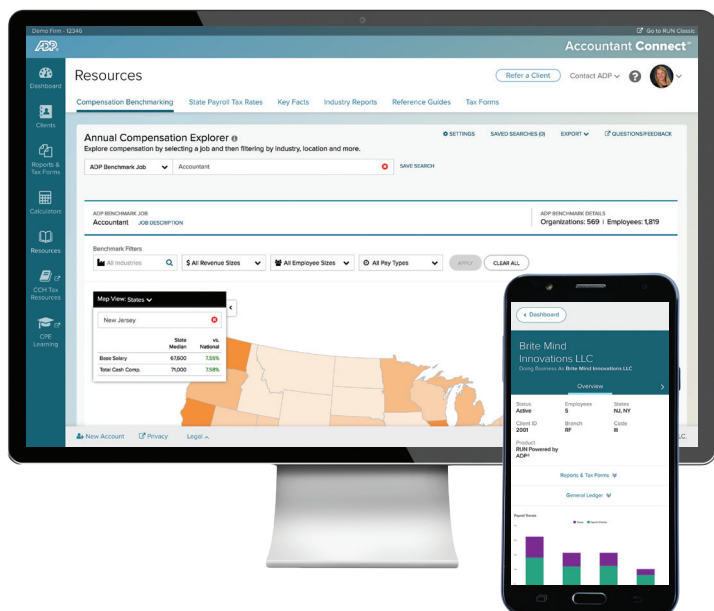


Small business falling short

Midsized and large businesses are gaining the most jobs.



Source: ADP National Employment Report®, October 2018



Having access to benchmark data and advanced reporting tools can help accountants, and their clients, in a number of ways. With the right technology, accountants can view data that can be filtered by industry, location, job type, employee or revenue size and pay type. Such insight empowers accounting professionals with the ability to quickly view and compare their clients' organizations to similar companies on important data points such as annual compensation, overtime costs and bonuses, which can help accountants advise clients on how to strengthen benefit offerings and be more competitive with attracting talent. Deeper insight on items such as pay equity and even employee turnover probability can offer unique insight into a company's data to help it make smarter decisions. All of this information can be turned into the intelligence that helps accountants provide the strategic advice that can help clients more successfully compete for and retain talent.

This tight labor market is also making it important for businesses to offer more employee-friendly benefits. Multiple states and jurisdictions are passing laws requiring employers to provide sick leave and paid family leave to employees.⁵ In addition, minimum wage rates continue to rise at the state and local level, with at least 20 states instituting new minimum wage rates in 2019.⁶

The #MeToo movement is also likely to prompt additional legislation aimed at combating sexual harassment. As such, employers should be cognizant of the need to communicate information about company policies to employees. For instance, even though employers are typically not required to distribute employee handbooks, it is considered a best practice to document that employees have acknowledged that they have read company policies that address sexual harassment, equal employment opportunities (EEO) and sick leave/family leave – and then store that documentation in an accessible location.

Accountants can act as expert advisors by providing information about the right technology solutions that will help clients understand and comply with these laws. For example, with the right solutions accountants can document whether employees are reading policies such as sexual harassment policies.

When a firm moves its clients onto the right platform, they gain ready access to the payroll and HR features they need to help them support their clients' employees and help them with their compliance challenges. These would ideally include a full spectrum of integrated human capital management solutions, including payroll, workers' comp and benefits administration, onboarding and tools to increase employee engagement and retention. It's also important for these solutions to be scalable, making them suitable for all companies regardless of size, and ideally backed by live customer support.

Accountants that partner with a top-rung payroll provider can increase the services and value that their firms provide.





“My clients find managing their payroll simpler and less time consuming.”

“My clients find managing their payroll simpler and less time consuming,” confirms Lewis Andrews, founding partner of the public accounting firm Andrews & Co. in Coral Springs, Florida. Through ADP’s client base acquisition program, he recently migrated his roughly 70 payroll clients onto ADP’s small business platform, RUN Powered by ADP®.

But Andrews’ clients weren’t the only ones who benefitted from the move. “Payroll is not a smooth thing,” he observes. “It’s forever changing. The rates change, the numbers change, the forms change. It becomes an HR nightmare.”

His partnership with ADP helped to free Andrews from those challenges, giving him the time he needed to focus on other areas of his business. At the same time, the analytic tools available through ADP’s Accountant ConnectSM platform have helped him stay connected to his clients’ payroll data and zero in on his biggest client advisory growth opportunities

The upshot? “We were able to grow our revenue 40 percent in just this past year alone,” Andrews says.

The other side of the payroll coin

While there is a myriad of benefits associated with offering payroll services, doing so can be time-consuming, distracting and technology-intensive. The requirements vary from client to client; the accountant must keep pace with a never-ending stream of new tax and regulatory requirements, and while providing these services can be profitable, doing so requires a significant investment in technology and highly specialized expertise.

All this was reflected in the experience of Donna Aul and Mary Shellabarger, co-owners of Northend Tax & Accounting. The Romeo, Michigan-based firm felt obliged to offer payroll services to nearly 50 of its clients, but each had different requirements making those services very time-consuming to provide. The situation was compounded when the government began mandating electronic filings, putting pressure on the firm to upgrade its technology.

“Financially, it wasn’t a wise move for Northend to keep doing our clients’ payroll,” Aul admits. “If I broke it down by the number of hours we spend, we were probably making pennies.”

Many firms like Northend are caught in a similar bind: their clients expect them to provide payroll services, but the demands soak up the time and attention they might otherwise devote to more profitable endeavors.

By working with a trusted partner, accounting firms can retain all the advantages of providing payroll services without having to process their clients’ payrolls themselves.

A trusted payroll partner offers the best of both worlds

Streamlining payroll operations is achieved through automation but adopting new software and deploying new systems isn't necessarily something that an accounting firm needs to undertake on its own.

By partnering with a trusted and experienced payroll services provider, accountants can retain all of the advantages of providing payroll services and continue to satisfy their clients, without having to assume the burden of processing their payrolls themselves. Their clients, in the meantime, continue to receive all the service and personal touches they've come to expect.

More and more, a common service

% of accounting firms offering or adding payroll services

● Already offer

● Planning to add in 2018

SMALL FIRMS



MIDSIZED FIRMS



LARGE FIRMS



0% 20% 40% 60% 80%

Source: Accounting Today 2018 "Year Ahead" Survey

There are essentially three ways to go about this:

1

The accounting firm continues to process its clients' payrolls but does this using a white-label cloud solution, such as RUN Powered by ADP Payroll for Partners. This ensures that the firm has access to the latest technology, which increases its efficiencies and profitability, but does not require a significant capital investment.

2

The accounting firm refers its clients to the payroll services provider through a shared-revenue program such as ADP's Revenue Share Incentive Program for Accountants, allowing them to maintain and grow this business more profitably while staying connected to their client data using a dedicated portal, such as Accountant Connect. This allows accountants to continue to view all of their authorized clients' payroll and interface the general ledger data to their accounting software—even though the service provider is now responsible for processing the payrolls and meeting the clients' deadlines. Solutions such as Accountant Connect make it possible to glean deep insights about a client's business operations without the added time and resources spent on the firm managing a full-service payroll solution, allowing the accountant to step in as a knowledgeable advisor that can help with everything from strategic planning to workforce optimization and cyber-security.

3

The accounting firm transfers its payroll client base to the service provider for cash through a client base acquisition program. This is especially appealing to firms looking to raise capital for new and more profitable advisory services, and to accountants who are preparing to retire and seeking ways to maximize their firm's market value. Offloading the payroll portion of their business can allow them to begin collecting revenue sooner and to better position their firm for a merger or acquisition. In some cases, whether it be an accountant looking to retire and sell their practice or a firm interested in merging with another firm, selling the payroll portion of the business separate from the rest of the practice can potentially increase the firm's overall valuation.

"After decades of saying, 'I don't do payroll,' accountants are starting to open up to the idea of offering payroll services," says Robert Wolff, an accounting firm consultant and former payroll and tax prep software product manager. "Client payroll services among accounting firms are growing, because with the advent of online payroll services, payroll can finally be fast, easy and profitable."

Andrews, Aul and Shellabarger opted to transfer their payroll businesses to ADP through their client base acquisition program, which freed them to offer more profitable services. The move also worked in favor of their clients, who continued to receive the same personalized service as before but with the added ability to make staff changes and adjust compensation levels themselves.

With the advent of online payroll services, payroll can finally be fast, easy and profitable.

In sum

Partnering with the right payroll service provider frees an accounting firm to focus on more strategic opportunities, regardless of whether they choose to offer a full-service payroll solution to clients via software within their practice or refer clients directly to the service provider. Where succession planning is an issue, such transfers can also be used to extract value and prepare the firm for a future merger or acquisition.

Under each of these scenarios, a well-managed payroll operation can be a profitable source of recurring revenue and provide insights that can be used to fuel a CAS strategy. Working with a technologically sophisticated payroll partner like ADP opens new vistas and prepares an accounting firm to face the future with confidence.



About ADP

You do more than accounting. We do more than payroll. Companies of all types and sizes around the world rely on ADP's cloud software and expert insights to help unlock the potential of their people. HR. Talent. Benefits. Payroll. Compliance. Together, we can help your clients succeed.

ADP gives accounting professionals and their clients' access to advanced HR tools to help you get strategic and deepen client relationships. Our services complement yours, and no other partner can offer everything we can, from unparalleled HR compliance expertise and benchmarking data to a comprehensive portfolio of payroll & HR services, all backed by dedicated support. These robust services allow businesses to effectively hire, manage and engage talent, pay their people with precision and help reduce compliance risk. Our white-label payroll processing solution is also the foundation of many firms' payroll service.

Since no two practices are the same, we allow you to decide how ADP can help you grow and increase revenue with our flexible partnership options. However you choose to work with us, you'll get anytime-access to authorized client data, a general ledger interface, tax resources and complimentary practice tools with our award-winning cloud solution Accountant ConnectSM. Learn more at adp.com/accountant.



Not sure which partnership option best fits your firm's current and future strategy? Take our short interactive assessment to see how we can help maximize revenue at adp.com/payrollstrategy.

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