

CommBank Accounting Market Pulse.

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Foreword

Welcome to the 2022 edition of CommBank's Accounting Market Pulse, our annual analysis of the trends shaping the strategies and outlook of Australian accounting firms. It's the latest in our series of special reports produced for CommBank Foresight and is designed to help firms navigate dynamic industry conditions and capture the growth opportunities ahead.

It is great to see that the economic recovery has not been derailed by the events of the past 12 months. Accounting services are in high demand, and firms are enjoying the best business conditions in the report's seven-year history. While the only limitation they face is the worsening talent shortage, firms see endless opportunities, including in emerging areas such as cybersecurity, Environmental, Social and Corporate Governance (ESG) consulting, and digital transformation.

This year's research found that some firms are more advanced in their own digital transformation than others. One in three firms stand out for investing in technology and developing their people's digital skills and are reaping the benefits. These digital leaders are experiencing more positive business conditions than their peers and are forecasting a more significant increase in profits this financial year.

Having invested heavily in technology, leaders are becoming stronger financially, enabling them to continue to invest in adopting new technology and further building the digital skills of their workforce. These firms are setting the standard in service delivery and client experience as they use their technology platforms to differentiate themselves in the market.

Over the years, these digital leaders have also developed a cultural advantage. They are learning-oriented organisations, and excellence and innovation are habits. Their financial strength means they are better able to take risks. They empower their people to find new solutions and uncover unmet client needs.

Their investment and growth strategies for the next three years include marketing and business development activities, and cross- and up-selling strategies. These firms are also the most confident in increasing fees given their market-leading, technology-based services. It is a virtuous circle that other firms ignore at their peril.

We hope you find this year's CommBank Accounting Market Pulse useful as a window into forces that will drive future changes in the competitive landscape and, importantly, in supporting firms to evolve and grow.

Julienne Price

Executive Manager, Professional Services
Commonwealth Bank of Australia

About the CommBank Accounting Market Pulse Report

The CommBank Accounting Market Pulse is a wide-ranging analysis of Australia's Accounting Sector. The report is based on a quantitative survey of CEOs, Managing Partners and other senior leaders from 45 accounting firms. The survey was conducted in February and March 2022 by Beaton Research + Consulting. Where a 'don't know' response was given, it is excluded from the associated chart. The research segments firms by digital leaders and digital followers based on five criteria used in the report. References to digital leaders relate to the 15 firms that met all five criteria and 30 digital followers that did not. **References to digital leaders relate to the 15 firms that met all five criteria and references to followers relate to the 30 firms that did not meet all five criteria: remote/mixed working is manageable or easy; digital service delivery is manageable or easy; overall digital skills of staff are average or above; ROI on technology investment is moderate, high or very high; and investing in adopting new technologies over the next three years.**

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Digital leaders emerge

This edition of the CommBank Accounting Market Pulse reveals that the industry is experiencing robust business conditions, and the outlook is positive. Amid increased technology adoption across the sector, it's clear that some firms are more advanced in their digital transformation than others. These firms also report better financial performance and a brighter outlook ahead. As such, we examine what the digital leaders are doing differently and why the gap between the two groups is set to widen.

Sentiment at record high

Firms' perceptions of business conditions have continued their strong rebound from the lows reported during the depths of the pandemic. Net sentiment has hit its highest reading since the Accounting Market Pulse series began. Firms expect this positive sentiment to continue over the next 12-24 months.

80%

the net percentage* of firms that have a positive perception of current business conditions

*percentage of firms that answered positive minus negative

Talent shortage worsens

Amid the elevated demand for accounting services and only gradual reopening of borders, finding and retaining high-quality staff has become even more difficult. It remains the sector's top challenge and the only thing holding firms back.

93%

the net percentage* of firms that say finding quality staff is challenging

*percentage of firms that answered easy minus challenging

Uneven digital transformation

To identify the digital leaders, we examined firms against five criteria : ease of working remotely, ease of delivering services digitally, overall digital skills of staff, positive ROI on technology and adopting new technologies over the next three years.

33%

of firms met all five criteria indicating they are more advanced in their digital transformation than their peers

Client experience drives the tech agenda

The top four drivers of firms' technology agenda are 'better, faster, cheaper' and improved client experience. Improving the client experience is a much stronger driver for digital leaders than it is for followers.

93%

of digital leaders say improving the client experience is a key driver of their technology agenda



Boom times for accounting firms






Resourcing is the only constraint

As demand exceeds supply, accounting firms' confidence is at record highs. Firms that are more advanced in their digital journeys are even better placed than others and expect to reinvest in technology to cement their leadership.

Digital leaders set the pace

The accounting sector has been on a digital transformation journey for some time. The pace of transformation accelerated dramatically during the pandemic and continues apace, with firms now reaping the benefits.

The research indicates that some firms are pulling away from their peers in terms of their investment in new technologies and successful adoption. We selected five criteria to measure how advanced firms are in their digital transformation:

-  Remote / hybrid working is manageable or easy
-  Digital service delivery is manageable or easy
-  Overall digital skills of staff are average or above
-  ROI on technology investment is moderate, high or very high
-  Investing in adopting new technologies over the next three years

Just 15 of the 45 firms participating in the survey met all five criteria. We refer to this group as digital leaders. They are more likely to be large firms (five out of eight met the criteria) or mid-sized (four out of ten). Only six of the 17 other firms qualified as digital leaders.

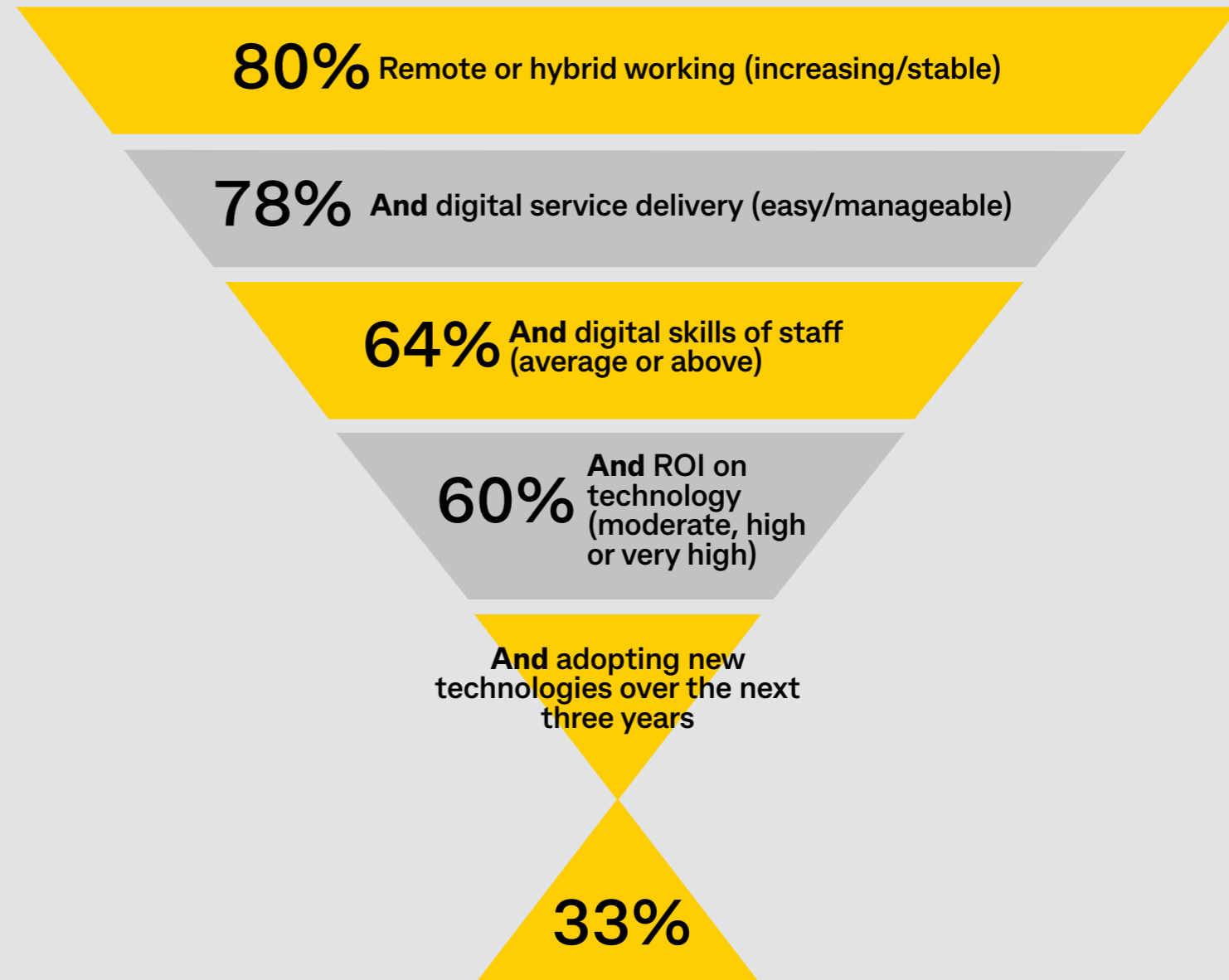
It was the fifth metric, investing in technology, that really sets the leaders apart from the followers. Larger firms have the financial strength to invest in technology and train staff. They often benefit from global networks and the transfer of knowledge.

"The research suggests that digital leaders are differentiated by their culture. These firms are entrepreneurial, innovative and willing to take risks."

Julienne Price, Executive Manager, Professional Services,
Commonwealth Bank of Australia

Digital performance metrics among firms

Proportion of all firms that achieved positive measures on all five criteria



Business sentiment hits record highs

The strong rebound in sentiment from the lows of the pandemic recorded in last year's research has continued. The accounting firms surveyed rate overall business conditions as overwhelmingly positive. The net score of 80% is the highest in the series' history. Firms expect conditions to remain highly favourable over the next two years.

Digital leaders are more positive (net 93%) about the current business environment than followers (net 73%). Hence, they expect this financial year's profit will be up 5.5% from the previous year. Followers, in contrast, predict a lift of 4.7%.

The research suggests this gap in profit growth may widen further. With demand for accounting services outstripping supply, the firms that are serious about providing high-quality services during these boom times will come out stronger and better able to continue investing in new technologies.

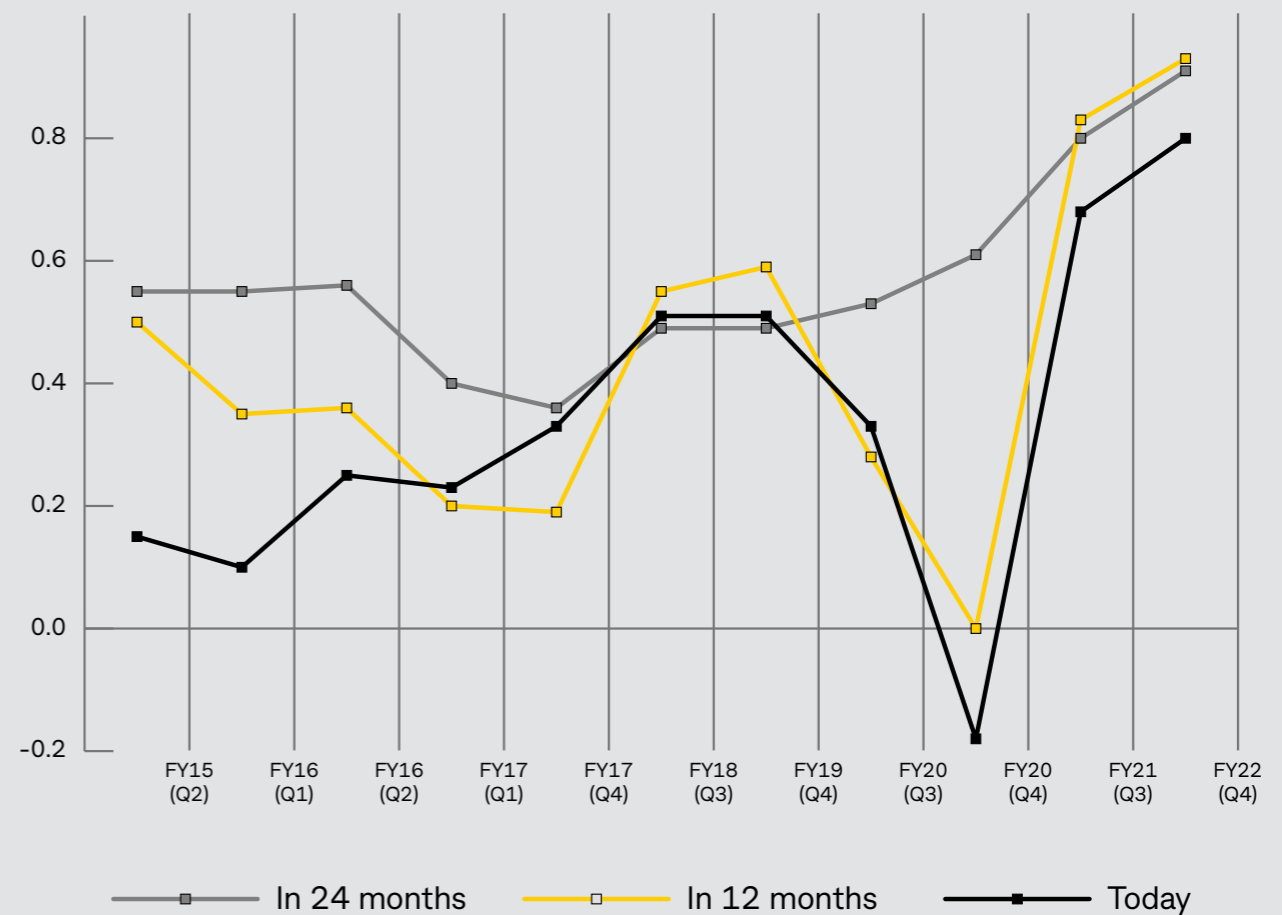
In turn, the increasing criticality of technology has the potential to compound the growing gap between digital leaders and followers. Also note that investment in major technology projects favours larger firms, which tend to be digital leaders, as the cost is spread over a larger number of partners.

"Accounting firms continue to play a critical role in supporting businesses through the recovery. While firms report healthy profit forecasts overall, those that are keeping pace with the digital shift are more optimistic."

Julienne Price, Executive Manager, Professional Services, Commonwealth Bank of Australia

Perception of business conditions over time*

Net percentage of firms (proportion of firms who answered positive minus percentage of firms that answered negative)



*historical percentages sourced from Accounting Market Pulse research completed between 2015 and 2021

The talent challenge intensifies

The elevated demand for accounting services has further escalated the battle to attract and retain high-quality staff. It remains the sector’s biggest challenge by far.

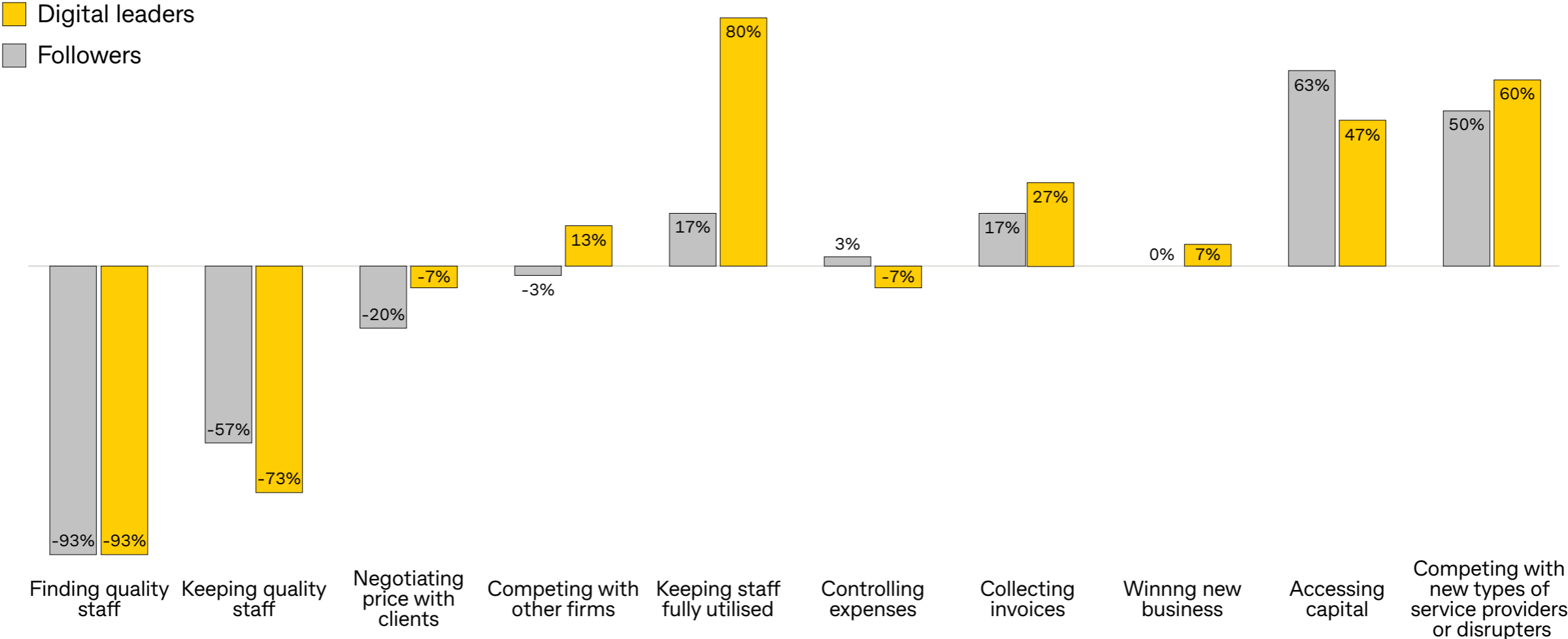
Surprisingly, in this environment of buoyant demand, firms report that it has become more difficult to negotiate pricing for their services over the past year. As we will see later however, clients understand that accounting services are in high demand and digital leaders in particular plan to take the opportunity to raise their fees.

When perceptions of key elements of business conditions are segmented by digital advancement, two things stand out. Digital leaders have no problem at all keeping staff busy. This is consistent with the finding that they are experiencing more positive business conditions and expect higher profits this year. They are winning more high-quality work. Also, as part of their entrepreneurial culture, they encourage staff to find creative solutions to clients’ pain points and explore new technologies.

Yet digital leaders also experience more difficulty retaining staff. This perhaps reflects that they have coveted talent. Team members at these firms have benefitted from training in, and experience with, the latest technology. As such, they may have more options to advance their career.

Perception of business conditions over time

Net percentage of firms (proportion of firms who answered positive minus percentage of firms that answered negative)



The only real challenge accounting firms face

The research illustrates that accounting firms identify no meaningful challenge other than the sector's shortage of high-quality talent as borders only gradually reopen. Here is a sample of comments from leaders of accounting firms when asked about the threats and opportunities they see.

"Labour shortage. Nurture staff and focus on retention. Make firm the best place to work to attract talent."

— **Chief Operating Officer/
General Manager,**
Mid-sized firm

"Retaining quality staff. Training new starters in software first (accounting degrees are behind the times). Successful firms will embrace technology, offer more value-add services to existing clients, niche down, and grow by referral/marketing to their chosen field of expertise. Staff retention will be on work variety and future prospects."

— **CEO/Managing Partner,**
Other firm

"Succession of Lead or Senior Partners and ensuring the next level of Partners is able to fill this knowledge and experience gap. Recruiting suitable staff at both junior and senior levels given the post-pandemic matters that are impacting the market. Digital innovation to reduce human effort required to service existing client work."

— **CEO/Managing Partner,**
Other firm

"Massive gaps in the skills market forcing salaries way up."

— **CEO/Managing Partner,**
Other firm

The growth opportunities firms are targeting

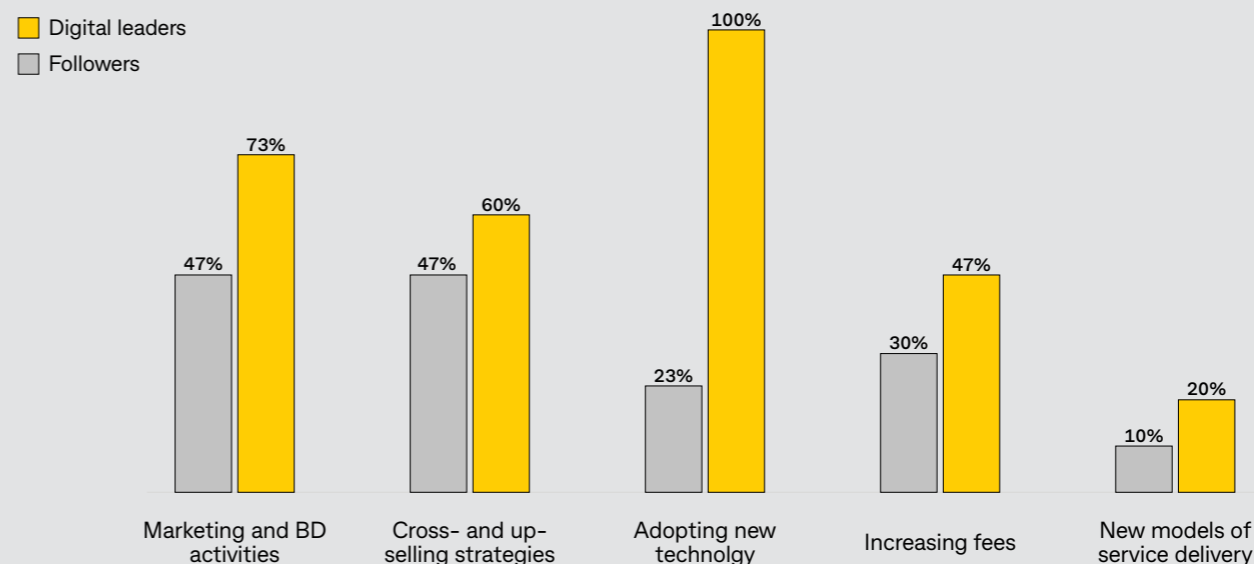
Over the past 12 months, the much-anticipated surge in insolvency and restructuring work failed to materialise. Instead, many firms were unprepared for the tidal wave of work relating to corporate finance, including mergers and acquisitions (M&A) activity. This area is expected to remain elevated over the coming six to twelve months.

When segmented by digital maturity, we find that the other areas that digital leaders predict will be in high demand are different from those followers expect. The three standout differences are analytics and data science, IT and digital transformation, and consulting around Environmental, Social and Corporate Governance (ESG). Digital leaders are clearly well placed to pitch for work in these emerging areas.

To ensure they capture all the growth opportunities, digital leaders will be focusing on marketing and business development, as well as cross- and up-selling strategies. At the same time, they see opportunities to raise fees for their market-leading, technology-enabled services while also exploring new service delivery models. There are a small number of digital leaders looking at the next horizon, cultivating and investing in emerging new businesses. Together, these latter strategies provide further evidence of their entrepreneurial culture and willingness to experiment.

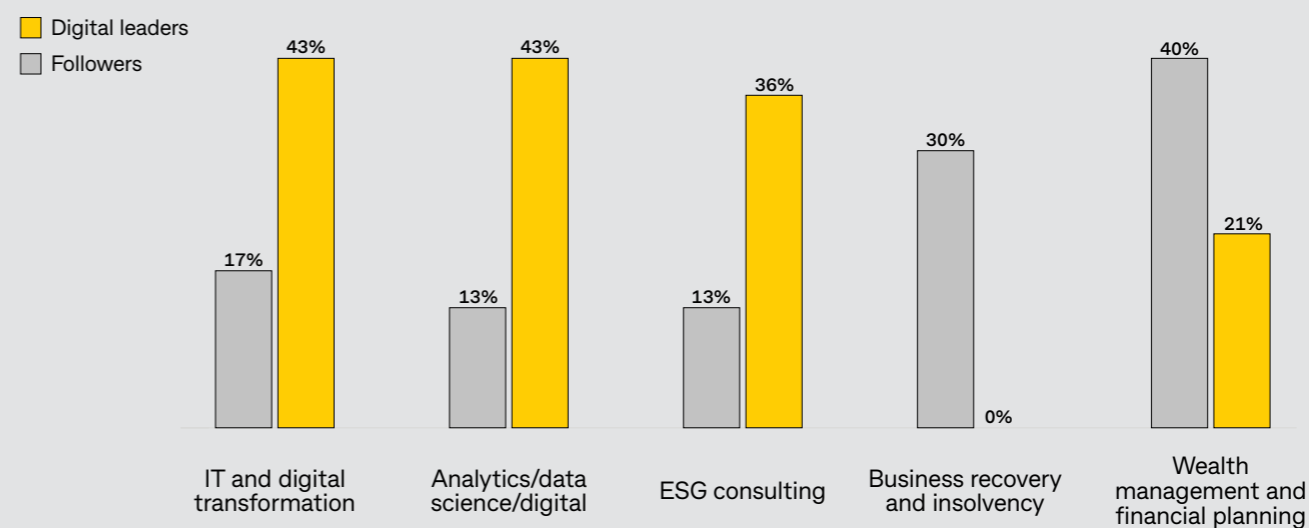
Investment and growth strategies

Proportion of all firms segmented by digital leadership



Expected areas of high demand over the next 12 months

Proportion of all firms segmented by digital leadership



Case study

Moore Australia

Greg Mallam, Managing Director

Moore Australia QLD/NNSW was born in 2018 from a merger of two similar-sized firms with shared regional roots, long-term history, and similar values and vision.

Greg Mallam is the Managing Director of Moore Australia QLD and Northern NSW and is based in Coffs Harbour. Greg's former practice joined the Moore Global network four years ago and shored up their regional and metropolitan services. Moore Global employs 29,000 people in 547 affiliate offices across 113 countries and counting.

Moore Australia has a large agribusiness client base who are experiencing some of the best conditions in recent memory. With plentiful water, above-average GDP growth and a strong economy, the outlook is one of sustained growth.

Strong economy leads surge in client demand

Businesses that embraced digital operating models during the COVID-19 pandemic are enjoying strong conditions and a positive performance outlook. And accounting firms, like Moore Australia, are experiencing steeply rising demand for their services.

"Demand is the highest we have seen in our history," Greg says. "In a post-pandemic world, our clients are seeking advice and support on cash flow, profit management and strategies for pivoting their business."

By joining the global network in 2018, the firm's

client base and scope of business have grown across the regions. The firm now has a transfer pricing specialist division in Brisbane to support its international clients and a stronger focus on rapidly emerging areas such as environmental social and governance (ESG) and cyber security.

"Being part of the Moore network allows us to be a one-stop-shop for clients. It provides increased brand exposure, local and global development opportunities for staff, secondments and access to experts in all fields of accounting and technology."

Dealing with a transient talent market

An increase in service demand, however, has been matched by a decrease in suitably skilled talent across the accounting industry.

"Our most significant challenge is staff shortages," Greg says. "It is a highly transient market for job seekers across most industries, and we are continually reviewing and improving our offering."

Moore Australia sought to offset this by expanding its remote workforce, effectively increasing staff in other national and overseas locations. However, as Greg qualified, "this was not to take away from local job opportunities, but we've needed to change how we operate to support the local teams that experience resourcing pressures."

By embracing this model, Moore Australia's teams have become proficient in new software, hardware and work styles. "We have heavily invested



in technology that supports our remote work model, engaging a project manager to help drive the transition of IT equipment and support for our people through change management.”

“What we have been able to do well is think globally and act locally,”

Greg says. “We can run the business without a physical office in every location, and that’s very much the world now.”

Journey to a SAAS accounting environment

“The challenges presented by COVID-19 and mass floods in early 2022 accelerated our digital transformation and has since proven its effectiveness,” Greg says.

In late 2020, the firm commenced an infrastructure update that was a crucial enabler of a mobile workforce. This included the supply of laptops, headsets, monitors and desk docks to staff across all seven offices.

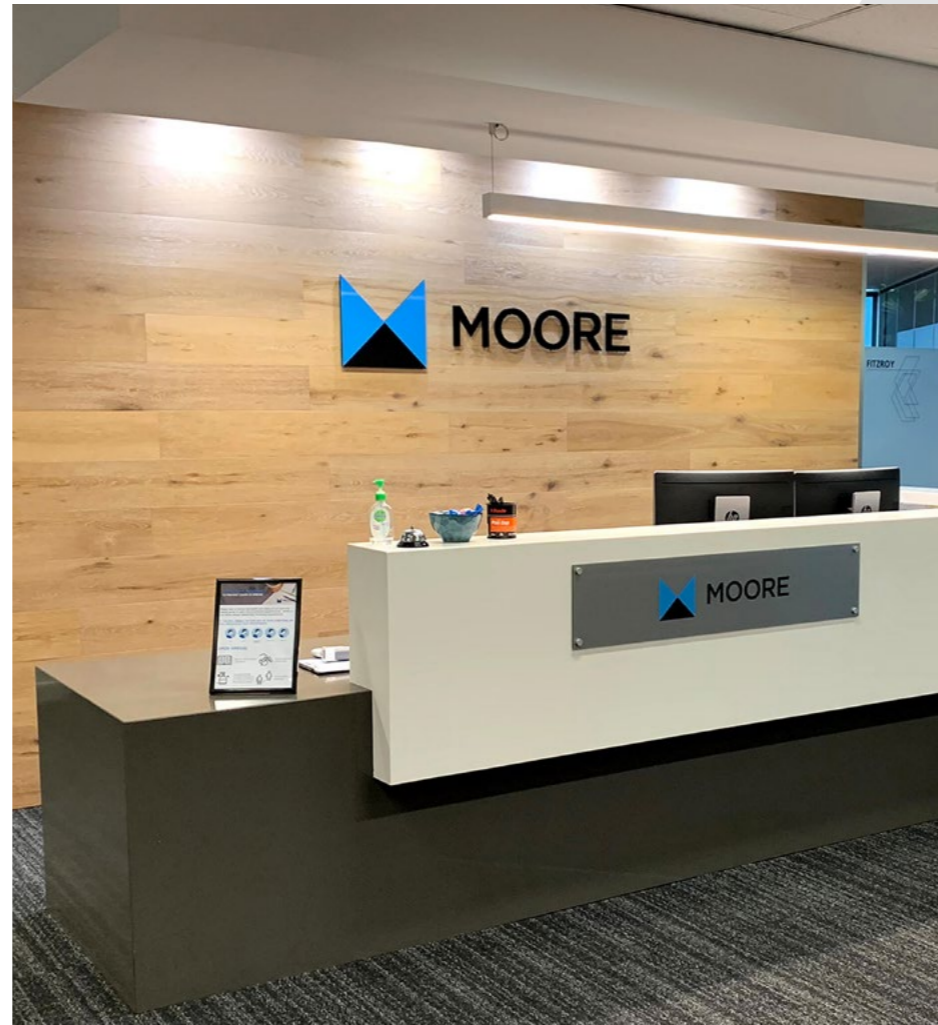
Greg explains that the focus is now on advancing their digital transformation program, which includes completing the migration to a fully cloud-based model that will support all aspects of the business.

“Our overall focus is on flexibility of workplace, removing roadblocks and challenges associated with our network and moving to a

Software-as-a-Service (SaaS) environment. Our in-house team is working closely with suppliers, and culturally, we are embracing cloud-based technology.”

Greg is certain that investing in flexible IT infrastructure and the required data integrity will pay significant dividends, ensuring efficiency and service quality and freeing up time for analysis.

“Technology ROI is still to be established at a granular level, but it is already possible for us to measure success through the timelines to complete work,” Greg added. “You can’t measure anything without establishing a baseline first, and we are already moving well beyond those metrics.”





The digital dividend

Technology adoption picks up across firms

Firms are in agreement about the benefits that flow from investing in technology. Firms are targeting faster, higher quality work at a reduced cost and improved experience for clients and staff. However, measuring the return on investment is proving elusive.

Where firms are directing technology investment

The underlying drivers of firms' technology investments can be neatly summed up as "better, cheaper, faster", along with improving the client experience. Digital leaders are particularly driven by a desire to improve their clients' experience (93% versus 60% among followers).

Compared with followers, they are also far more motivated by wanting to build a reputation for innovation (80% versus 27%) and to cite their experimental culture (40% versus 13%). Developing new capabilities and services (67% versus 17% among followers), as well as building new revenue streams (53% versus 20%), are other powerful motivators. At the same time, they better recognise technology's potential to reduce costs (73% versus 43% among followers).

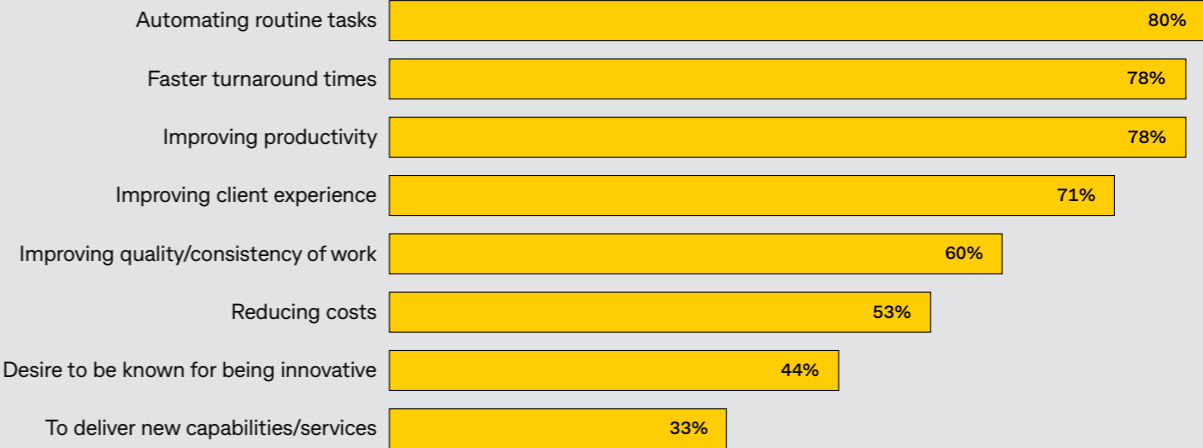
Adoption of document automation, cloud-based computing and storage, and social media for inbound and content marketing is considerably more prevalent among digital leaders than followers. Their embrace of social media is consistent with their focus on marketing and business development over the next three years.

Digital leaders are also twice as likely to be using data analytics, perhaps reflecting their desire to build new services and capabilities.

Overall, their successful implementation and take-up of these new technologies is evidence of how advanced their digital transformation is relative to their peers. This, in turn, reflects their willingness to experiment and quest to be known for this aspect of their culture.

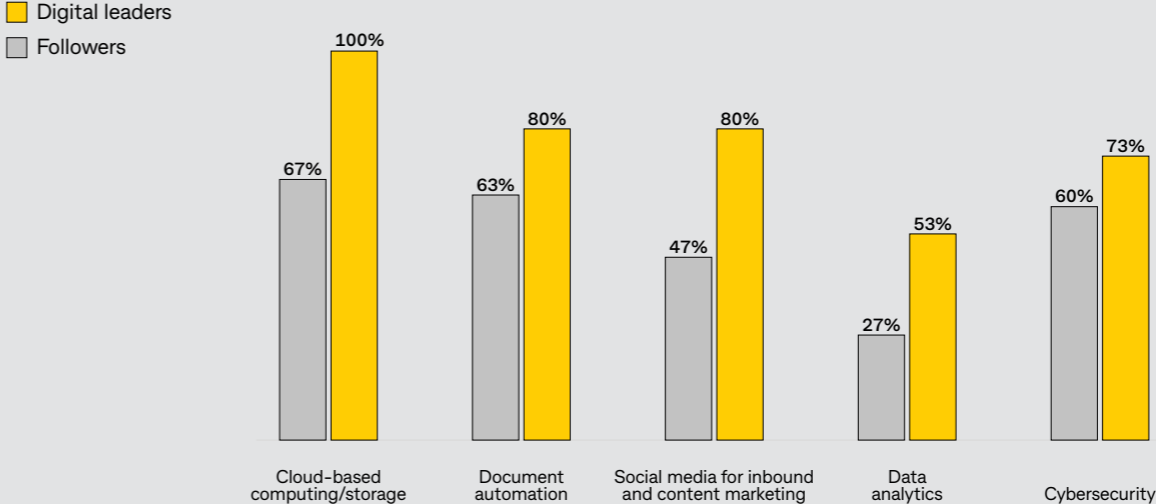
Drivers of firms' technology agenda

Proportion of all firms



Top technologies adopted by firms

Proportion of all firms segmented by digital leadership



Measuring the return from technology investment

Firms clearly understand the benefits of technology. When we asked about their single most rewarding technology investment, they responded it had attracted new clients, allowed them to develop their own applications in the cloud, provided better knowledge of individual people within their larger clients, and presented a clearer overall view of their interactions with clients.

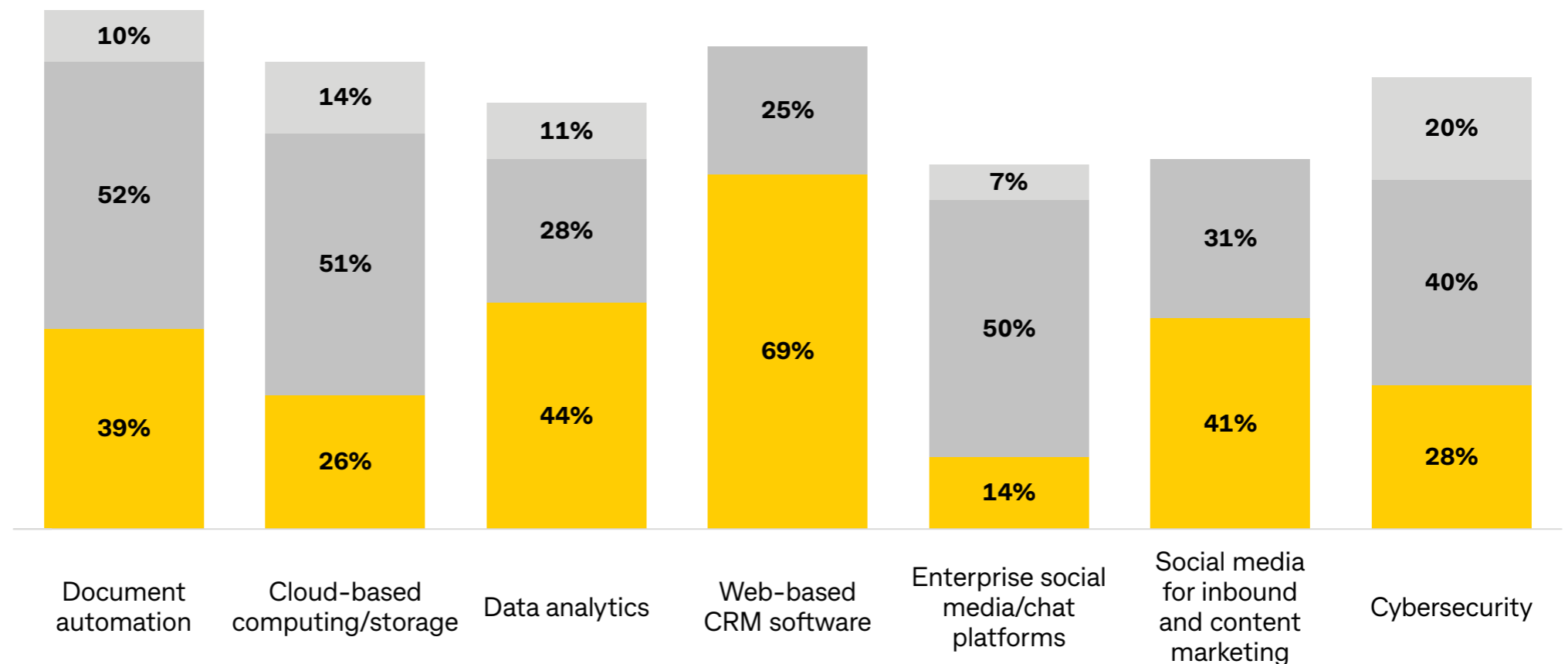
Of the seven technologies that firms were most likely to have adopted, it is clear that document automation provides a positive return on investment. As one respondent said, "It makes for faster client service, reduction of hum-drum work and fewer mistakes." It ticks all the boxes of faster, cheaper, better and improved client experience. The majority of firms reported high returns from investing in document automation, cloud-based computing/storage, enterprise social media/chat platforms such as Slack, and cybersecurity.

Nevertheless, measuring the return on investment from technology is incredibly difficult in professional services. There is very little difference between digital leaders and followers in this regard. For example, followers are more likely to report high returns from document automation (69% versus 50% among digital leaders) and cloud-based computing/storage (70% versus 60%). Yet digital leaders are far more likely to derive a high return from cybersecurity (82% versus 42% among followers). It seems no one has really cracked the code.

Evaluating the return on investment in technology

Proportion of all firms

- Very high return
- High return
- Moderate return



Firms' most rewarding technology investments

Accounting firms are investing in a range of technologies that can enhance the speed and quality of their work, drive operational efficiencies, and, importantly, deliver a better experience for clients. Here is a sample of comments from leaders of accounting firms when asked about their single most rewarding technology investment.

"Client records. Better knowledge of who is who [among] our larger clients."

— **Partner,**
Other firm

"Undoubtedly it's document automation which makes for faster client service, reduction of hum-drum work and fewer mistakes."

— **Chairperson,**
Other firm

"Going to the cloud and developing our own applications."

— **CEO/Managing Partner,**
Mid-sized firm

"Data Analytics services have brought new clients to the firm."

— **CEO/Managing Partner,**
Mid-sized firm

"New document management system has given a better overall view of our interactions with a client."

— **CEO/Managing Partner,**
Other firm

"Our investment in cybersecurity has provided a degree of comfort which was lacking."

— **CEO/Managing Partner,**
Mid-sized firm

"Automating our accounts receivable using Cerebiz improved our cashflow and reduced debtor days substantially. Offering multiple payment methods and making payments easy has removed the friction from the invoice cycle, and allowed us to spend more time servicing clients."

— **CEO/Managing Partner,**
Other firm

Case study

ML Partners Pty Ltd ML Financial Services Pty Ltd

Peter McKaig, Director

ML Partners & Financial Services is a high-growth regional accounting and financial planning practice with bases in Ayr and Home Hill in the Burdekin and North Queensland region.

Directors Peter McKaig and John Licciardello have worked together since the beginning of their careers in the early 1990s before founding ML Partners in 2013. The multi-disciplinary firm offers tax, accounting, superannuation and financial planning, compliance, and advisory services.

With approximately 40 staff members across the region, the firm is experiencing extraordinary client demand in primary production, including cane farming, small crops farming and cattle grazing, along with retail, hospitality, manufacturing, contract services, mining, and drilling.

A post-pandemic booming tax and accounting market

The accounting industry is enjoying what can only be described as “buoyant” conditions. Having played an essential role in guiding clients through the disruption of the COVID-19 pandemic, firms have entered a new phase of demand.

Thanks to the momentum behind the economic recovery, trading conditions for many Australian businesses are thriving. With this comes an ever-evolving complexity in tax and accounting

compliance obligations.

As Peter McKaig remarked, “many businesses are growing very quickly amid the recovery, and they need support to make sure that’s sustainable. Small businesses are turning to accountants to help guide their approach to compliance and tax as well as planning ahead.”

Peter says that client expectations are also shifting, favouring firms that take a personal approach to service and relationships.

“Clients are looking for consistency and longevity in business relationships,” Peter says. “They want someone they can tell their story to once, who will share their visions and work with them over that journey.”

Digital transformation is ramping up

The pandemic accelerated a shift to an online workplace for ML Partners and sharpened the firm’s focus on optimising digital service delivery.

“Even over the past six months, you’d be amazed to see how much the business has changed,” Peter says. “The pandemic really ramped up our reliance on digital technologies.”

In fact, ML Partners now only considers taking on new clients who already have their business’ accounts based in the cloud. This decision stems from the firms’ comprehensive review of their IT

infrastructure, software, business model, and processes.

“Two or three years ago, we never thought we’d be undertaking such a detailed systemic review, but it’s critical to get this right,” Peter said. “We engaged an external consultant to bring in the skills we needed and guide us through the process.”

Peter expects the firm to migrate to one all-encompassing software solution in the next two to three years. This is already underway, with the objective of handling the full suite of tax and accounting processes, from superannuation, corporate secretarial accounts, payroll, HR to practice management.

“Our goal is to automate data flow between our clients and our internal accounting systems. This will make our process and client experience seamless, so we can focus on what we really should be doing—giving expert advice”, Peter says.

Targeting growth and talent development

While business is booming, the level of client demand can be a double-edged sword. Firms are experiencing talent shortages and skills deficits, like many businesses across the economy.

“Getting access to good staff is getting harder and

possibly worse for us as a regional firm,” Peter says. “This puts pressure on our existing team members”.

ML Partners, the largest accounting firm in the district, previously had minimal problems attracting staff. Lately, it’s been a real challenge, Peter admitted, saying, “we are struggling to get applicants, let alone suitable applicants for the job.”

However, with plans to expand the firm’s Townsville operations, Peter believes they will draw local talent and incentivise younger existing staff to relocate to a bigger, bustling centre.

“The clients are out there and I only see stronger demand ahead,” Peter says. “It’s now a matter of getting the right people and digital resources behind us to capture that demand while keeping our standards of client service and operational efficiencies high”.





Developing skills and capabilities

Looking to the future

The majority of firms agree on the most valuable digital skills that staff need to navigate the opportunities and challenges ahead. However, digital leaders want a more comprehensive range of digital skills and are more willing to invest in their people to develop them.

The most valued digital skills of the future

Firms' confidence in their staff's digital skills is mixed. Almost a net total of four in ten believe their workforce's digital skills are above those in the average accounting firm. That is particularly so in the use of regtech or compliance technologies and cybersecurity, such as data and privacy hygiene.

Confidence falls considerably when it comes to data analytics and social media. They do not consider that their staff's digital skills match their peers regarding coding, using enterprise resource planning (ERP) software, robotic process automation (RPA), or data science such as machine learning and big data.

Given the level of staff's digital skills was one of the five criteria used to define digital leadership, it follows that digital leaders consistently report higher workforce skills than followers.

When thinking about the digital skills their staff will likely need over the next three years, 60% or more of firms want competence in four key areas:

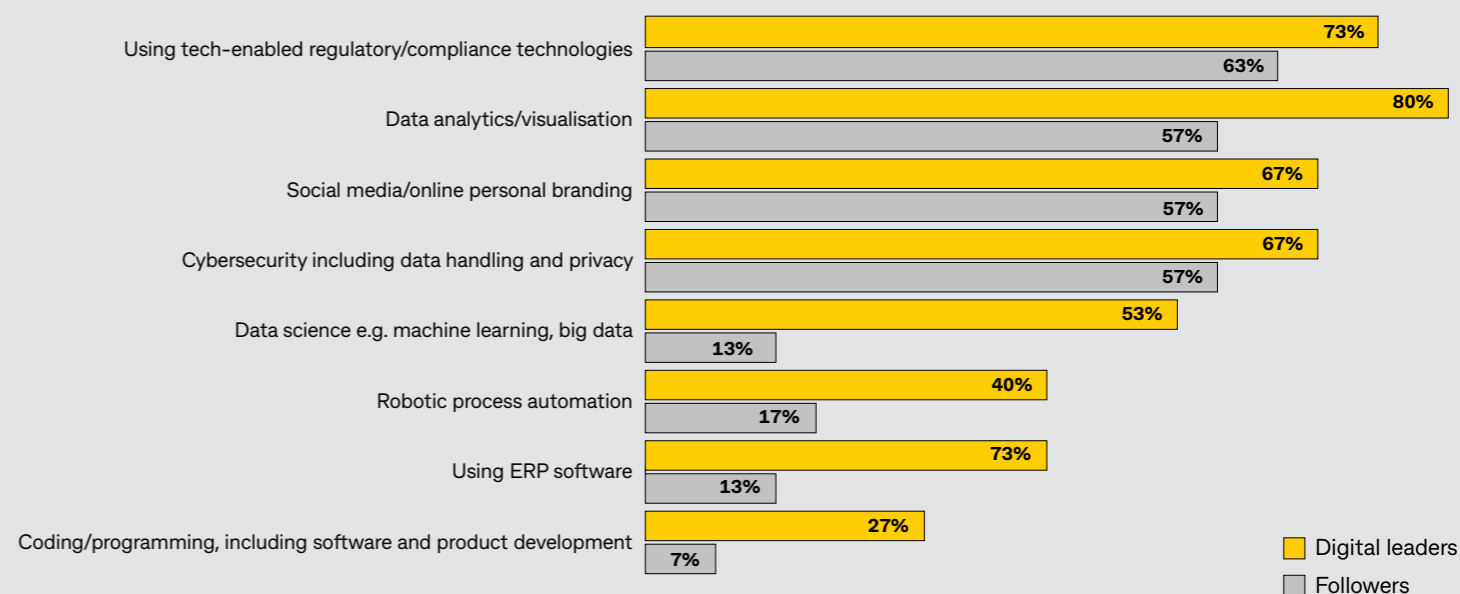
- Using regtech or compliance technologies
- Data analytics or visualisation
- Social media and online personal branding
- Cybersecurity

Around a quarter of firms will also value skills in data science, RPA and using ERP software.

Unsurprisingly, digital leaders are more likely to believe all these digital skills will be increasingly important. Their appreciation for new capability technology, such as data science, ERP software, RPA and data analytics, is markedly higher. Their greater willingness to invest in their staff's skills as they adopt new technology will further widen the gap between followers.

Firm's priority skills and capabilities

Proportion of all firms



Finding capability gaps

Firms generally expect staff to identify where new capabilities need to be built through their daily work. Here is where the entrepreneurial spirit of digital leaders comes to the fore.

They are far more likely than followers to encourage staff to find more efficient solutions to problems, give them opportunities to find or try new technologies and inspire them to proactively uncover new or partially unmet client needs.

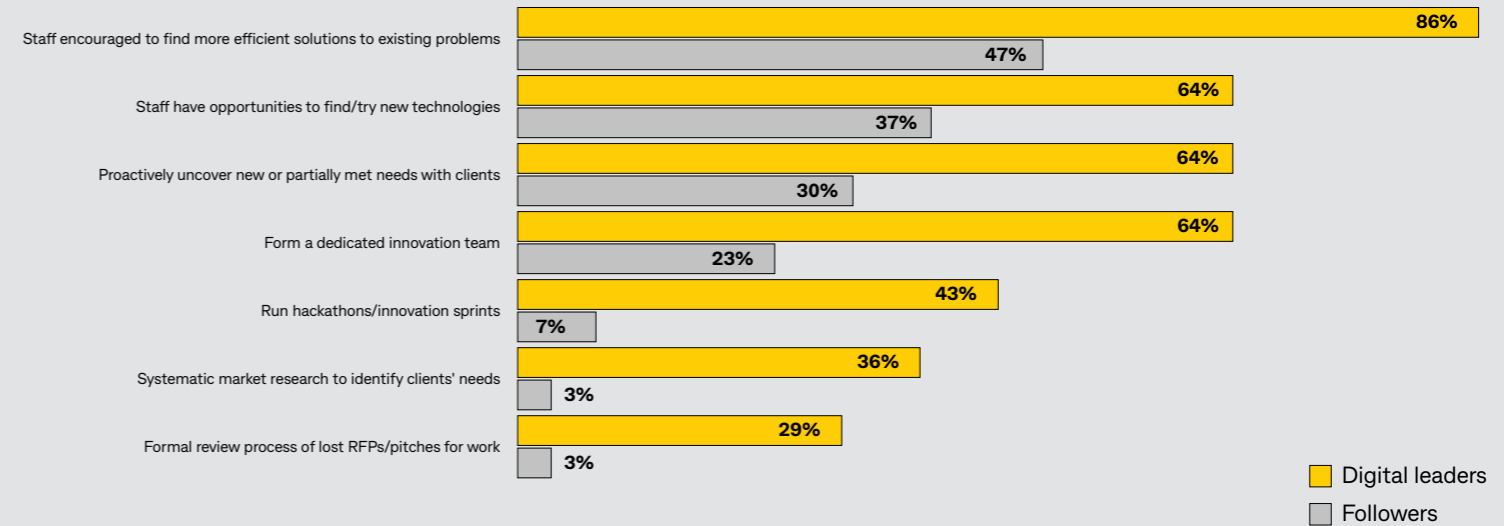
Digital leaders also stand out from the pack for enabling staff to form dedicated innovation teams and holding hackathons and innovation sprints. They are more likely to encourage staff to undertake thorough market research to identify client needs and conduct formal reviews when pitches for work are unsuccessful.

The benefits of such an approach include attracting and retaining talent. A highly skilled and engaged workforce also translates to a superior client experience.

Digital leaders are also more inclined than followers to look outside their firm to acquire the skills and capabilities they are prioritising. Compared with followers, they are more open to hiring externally for specialised, non-accounting skills, engaging in M&A activity, and investing in or partnering with start-ups.

Where firms see their capability gaps

Proportion of all firms segmented by digital leadership



Case study

EY

David Larocca, Regional Managing Partner and CEO, Oceania

A range of material trends accelerated during the pandemic, with many converging to boost client demand for accounting firms and drive internal transformation and innovation.

According to David Larocca, Regional Managing Partner and CEO of EY, Oceania, who leads a team of roughly 9,500 people, there are four interrelated drivers of client demand and the firm's strategic priorities. These are digital transformation, environmental, social and governance (ESG) issues, corporate activity and transactions, and the talent agenda.

The forces underpinning favourable conditions

Accounting firms are experiencing robust confidence levels, driven by high demand for accounting services and a fast-tracked shift to digital that was brought on by the pandemic.

David says that it's surprising to be experiencing such high levels of optimism coming out of the disruption of COVID-19, but "the outlook is very positive, and the demand for our services has been exceptionally strong".

According to David, the pandemic accelerated a number of priorities that clients already had on the agenda. He explains that digital transformation has climbed the agenda to the point where many businesses without digital strategies might face existential issues.

When it comes to the heightened focus on ESG, particularly climate change, David says it is having a multiplier effect. He says it now sits "at the heart of strategy and driving business transformation, and in turn, that's supporting transactional activity."

Another core demand driver is the record investment and mergers & acquisitions activity. "Elevated transaction volumes are being driven by private capital searching for yield, ESG drivers and firms' transformation agendas," David says.

He adds that clients are also increasingly seeking strategic support and consulting services to shape their talent agenda, which, David says, is also front and centre for EY.

Investing in people and culture pays dividends

With talent shortages presenting challenges across the economy, and is a top issue facing accounting firms, David says attracting and retaining staff remains a significant focus for EY. He adds that lessons during the pandemic have helped shape the firm's response.

David explains that when the pandemic first hit, the EY leadership team quickly decided not to make any redundancies or introduce pay cuts. Communicating regularly became a focus to keep staff informed, and the firm planned to wait six to eight months before making any significant changes.

“Our response early in the pandemic was centred on supporting our people, and we have continued to focus on retaining and attracting talent,” David says. “For example, as client demand grew and staff workloads picked up, we’ve continued to look at how to give people time back. We’ve had three EY Unplugged days this year where everyone in the firm has a day off, with the full support of our clients.”

“We’re very proud of our culture and how strong our focus is on people, the team unit, and collaboration. That’s been advantageous in the battle for talent.”

Maintaining momentum behind digital transformation

The pandemic brought forward digital transformation programs for EY and its clients, and David says technology is now embedded into everything the firm does. “Every client conversation is now grounded in technology. Clients want insights at speed, and technology is the engine behind that.”

“Technology, along with data and analytics, are crucial to delivering to client needs, whether that’s working through an audit or running a data room during a transaction. Getting data into a form we can quickly interpret and then provide a human overlay means we can offer meaningful, evidence-based advice to clients.”

“Cyber security has also been a big focus of ours from a client data governance perspective and is now higher on our clients’ boardroom agendas,” David adds. “We are also deepening relationships with alliance partners, who bring specific solutions and technical expertise to complement our internal capabilities.”

EY is investing heavily to ensure the firm continues to develop its digital capabilities. This includes building its technology consulting practice, particularly in emerging tech, recruiting senior talent, and acquiring businesses. Together, these help EY establish centres of digital excellence.

“We are also focused on training all staff across the firm irrespective of their role. We have an internally developed tech MBA that runs globally across the business and for our clients, and we’ve established a presence in Silicon Valley to provide a digital training ground for partners,” David says.



Conclusion

Accounting services remain in very high demand. As a result, firms rate business conditions as the best in the history of this research series. Their sole problem is the talent shortage which has only worsened over the past year.

However, in these boom times, some firms are growing profits faster than others. Having invested heavily in a range of technologies and in their people's skills, they are more advanced in their digital transformation. These digital leaders truly understand the myriad advantages that technology can bring to their firms. Technology makes service delivery better, faster, cheaper and enables a gold standard in client experience.

Having the financial strength to continue investing in technology is not the only thing working in favour of digital leaders. Their culture of innovation, entrepreneurial spirit and willingness to experiment sets them apart from their peers. They see opportunities in areas that others are yet to appreciate. This risk-taking culture, along with their continued investment in technology and their people's digital skills, will see the gap with their peers widen further.





Firm metrics

Benchmarking performance and perspectives

The following data points may help you evaluate and benchmark your firm's perceptions, performance and strategic outlook in relation to competitors.

Benchmarking dashboard (all firms)

Business confidence

Net percentage of all firms (proportion of firms that answered positive minus the proportion of firms that answered negative)

	May 2020	Feb 2021	Feb 2022
Now	-18%	68%	80%
Next 12 months	0%	83%	93%
Next 24 months	61%	80%	90%

Mean profit growth

All firms

FY2021 (actual)	FY2022 (forecast)
4.4%	4.9%

Top business challenges

Net percentage of all firms (proportion of firms that answered easy minus the proportion of firms that answered challenging)

	Feb 2021	Feb 2022
Finding quality staff	-67%	-93%
Keeping quality staff	-33%	-62%
Negotiating price with clients	-2%	-16%

Expected areas of highest demand in next 6-12 months

All firms

Feb 2022

Corporate finance (including M&A)	59%
Business advisory services	52%
Tax consulting	45%

Investment and growth strategies over the next three years

All firms

Feb 2022

Marketing and BD activities	56%
Cross- and up-selling strategies	51%
Adopting new technologies	49%

Top drivers of firms' technology agenda

All firms

Feb 2022

Automating routine tasks	80%
Faster turnaround time	78%
Improving productivity	78%
Improved client experience	71%

Top technologies implemented and frequently used

All firms

Feb 2022

Cloud-based computing/storage	78%
Document automation	69%
Cybersecurity	64%
Social media for inbound and content marketing	58%

Top digital skills for the workforce for the next three years

All firms

FY2021 (actual)

Feb 2022

Using tech-enabled regulatory/ compliance technologies	80%
Data analytics/ visualisation	78%
Social media/ online personal branding	78%
Cybersecurity including data handling and privacy	71%

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