



THE PARTNERSHIP LEDGER

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RETHINKING RETENTION IN ACCOUNTING FIRMS

The resignation letter on your desk signifies more than a staffing challenge. While firms often attribute departures to compensation or competing offers, deeper issues usually drive talent away.

The financial impact is significant – replacing a \$60,000 employee costs up to \$45,000, with higher positions costing up to 213% of annual salary. Beyond finances, departures erode trust, slow innovation, and damage client relationships.

Traditional success metrics focused on billable hours and growth fail to address the human need for purpose. This outdated approach actively pushes away promising talent who seek both meaningful careers and fulfilling lives.

The most talented people don't leave jobs—they leave disconnected environments where they feel unheard, undervalued, and unable to grow. Benefits and flexible schedules help but won't solve retention challenges alone.

Successful firms measure employee growth alongside revenue, create clear career paths valuing leadership skills, and encourage questioning old habits. They prioritize authentic connections through meaningful mentorship and attentive leadership.

Building a firm where people choose to stay requires leaders who value genuine relationships, provide growth opportunities, and create work that matters. By prioritizing connection over compliance and purpose over politics, firms will not only retain their best people but attract more talent.

CAREER CONVERSATIONS: ESSENTIAL FOR CPA FIRM SUCCESS

Despite busy schedules, CPA firm leaders must prioritize career conversations with employees. Regular discussions about professional goals demonstrate that you value your staff while strengthening your firm's future.

With 85% of finance and accounting managers struggling to find skilled professionals according to the 2025 Salary Guide From Robert Half, retaining talent is critical.

These conversations drive engagement and retention by tailoring development opportunities to individual needs. They also help attract talent, create leadership pipelines, align employee goals with business objectives, and

prepare your firm for industry changes through targeted skill development.

For effective conversations: use neutral settings, ask open-ended questions, listen actively, and collaborate on achievable plans. Follow up regularly, provide resources for growth, and acknowledge achievements appropriately.

Career conversations aren't just about employee satisfaction—they're investments in your firm's competitive edge. If you haven't had these discussions recently, now is the perfect time to start. Your employees and your firm's future will benefit.

SECURING CLIENT DATA: ESSENTIAL QUESTIONS FOR TAX SOFTWARE VENDORS

Securing Client Data: Essential Questions for Tax Software Vendors

Imagine logging into your tax workflow app during busy season only to see data that isn't yours—a nightmare scenario that recently happened with TaxDome.

With accounting staffing shortages driving firms toward technology solutions, security must be prioritized when selecting vendors. Every third-party provider gains access to your client's sensitive information, making proper security protocols crucial.

According to IBM's 2024 report, data breach costs jumped 10% to \$4.88 million. For CPA firms, breaches also damage client trust and professional reputation.

Ask these five essential questions when evaluating tax workflow solutions:

1. What security certifications do you maintain? Look for SOC 2, ISO 270001, and compliance with relevant data privacy regulations.
2. How do you handle data protection? Ensure end-to-end encryption, multifactor authentication,

penetration testing, and real-time security monitoring.

3. What employee security protocols exist? Verify training programs, awareness testing, device management policies, access controls, and background checks.
4. How do you handle security incidents? Confirm they have clear procedures, open communication, regular testing, and transparent post-incident analysis.
5. What's your security track record? Check system reliability, update processes, and past incident resolution.

Be wary of vendors who dodge security questions, aren't transparent about incidents, provide vague explanations, or can't produce certifications.

Remember: You're choosing a partner, not just software. Prioritize vendors who understand both security and accounting.

BALANCING AI AND PROFITABILITY IN ACCOUNTING FIRMS

Generative AI transforms accounting by accelerating previously time-consuming tasks, creating a potential pricing challenge for firms traditionally using billable hours.

Multiple pricing models can coexist effectively. Value pricing works well for repetitive, high-volume tasks where AI excels, while billable hours remain appropriate for high-end strategic work requiring human expertise.

This balance enables firms to maintain profitability while adopting AI. Technology also creates opportunities for new services previously considered impractical due to cost or resource constraints.

Success requires thoughtful integration of people, process, and technology while firms continue to evolve their business models.



AI IN ACCOUNTING: ADDRESSING THE TALENT SHORTAGE

The accounting profession faces a critical talent shortage, with a 33% decline in CPA exam candidates from 2016-2021. According to Karbon's State of AI in Accounting Report, AI offers a potential solution.

While 85% of accounting professionals are optimistic about AI's potential, only 37% are investing in AI training, creating a significant implementation gap.

Firms using AI report saving approximately 18 hours per employee monthly through automating routine tasks like email drafting (63%) and meeting summaries (40%). However, only 13% leverage AI for financial analysis, indicating untapped opportunities.

Most respondents (56%) believe firms lose value without AI adoption, and 79% see AI as a competitive advantage for talent recruitment.

Despite concerns about data security (70%), industry leaders view AI not as a disruption but as an opportunity for efficiency, improved service quality, and focusing on high-value advisory work.

BEYOND COMPENSATION: THE TRUE COST OF TURNOVER IN ACCOUNTING FIRMS

Resignation letters represent deeper issues that begin long before they reach your desk. While firms often focus on compensation or workload as reasons for departure, the root causes run deeper.

With 3.5 million Americans quitting their jobs in February 2024, the financial impact is substantial—replacing a \$60,000 employee costs up to \$45,000, while leadership roles can cost 213% of annual salary.

Beyond finances, departures erode culture. Innovation slows, trust diminishes, and teams become disengaged. Client relationships suffer as trusted advisors disappear.

Traditional accounting metrics that prioritize billable hours and quick turnarounds overlook the human need for purpose and growth.

Successful firms create authentic connections through meaningful mentorship and attentive leadership. They measure employee growth alongside revenue, establish clear career paths, and encourage innovation.

The solution starts with connection. Leaders must prioritize presence over productivity, listen to career goals, and create space for new ideas. Firms that value connection over compliance will not only retain talent but attract more.

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