

# Small business relying more heavily on accountants: Xero

## **BUSINESS**

*Survey finds more practices support their clients with wide-ranging advice as a result of deeper ties forged during the pandemic.*

By [Philip King](#) • 07 February 2023 • 6 minute read

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Small businesses are relying more heavily on their accountants since the pandemic and increasingly want advice on a range of non-traditional topics such as human resources and sustainability, according to the latest Xero survey.

Its *State of the Industry* report also reveals the changing shape of accounting with a majority of firms either merging or starting a new practice in the past year and many citing staff shortages as the reason.

Xero country manager Will Buckley said small business had a lot to navigate this year supporting them was an important responsibility for the industry.

“The findings from Xero’s research highlight more clearly than ever the critical role accountants and bookkeepers play in keeping small businesses up and running — not just with their finances but now in other business-critical functions as well,” he said.

The survey found “85 per cent of larger practices claimed some or most of their clients were relying on them more for services and support over the past six months”.

It revealed larger practices (with more than 10 staff) were providing more advisory related services in areas like HR (38 per cent), start-up mentoring or business development (33 per cent), advice on capital raising (32 per cent) and sustainability reporting (24 per cent).

Mr Buckley said clients were driving the change and it was a direct result of the closer ties that developed between them and their accountants during COVID-19.

“Because of all the compliance work that the profession was working through for their clients throughout the pandemic that just made for deeper and more intimate conversations with clients,” he said.

“The trust that was developed and those deeper relationships and conversations post-pandemic and during the pandemic with all the compliance work has paved the pathway for those demands.

“Business owners are starting to lean much more heavily as a first instinct towards their accountant for exploring or looking to understand more about how to make that next decision that's right for them — not just in a business perspective, but also personal and family-wise as well.”

But he said that was putting the talent shortage into sharp relief as the number one problem for the profession. Hiring experienced workers was the main challenge for almost 4 out of 10 practices with almost half expecting to raise wages this year and one-quarter already employing offshore.

“When it comes to staff retention, practices need to start thinking differently about attracting and retaining employees,” Mr Buckley said.

“There's been an interesting increase in the number of practices looking to merge their practices or go through some sort of capital structure change, ownership change, to solve some of the talent issues.

“We've also seen an uptick in the use of or expansion of getting talent across borders, as well. It's now starting to become one of the more logical solutions to trying to solve the skills shortage.”

Other post-pandemic trends were now part of the normal picture, such as working from home and later retirement.

“Firms are embracing hybrid working as well and what they are doing around building culture internally, making sure that their teams and their staff are satisfied and engaged with the work so those firms and their culture can start to be more of a promoter and magnet for graduates coming into the profession, as well as staff willing to stay in the profession longer.”

The survey found just one in six firms asked staff to be in the office full time and only one in 20 practices was fully remote, so most offered some form of hybrid arrangement spiced with employee benefits and professional development.

The other big issue was inflation with almost half the respondents expecting to raise fees and almost one-third anticipating a reduction in staff due to the economy.

The survey also highlighted concerns about client viability during 2023.

“Cost of living pressures and inflation has advisers concerned for their clients,” the survey said. “Over half (56 per cent) of firms anticipate their clients will need more support, and 43 per cent expect some will be at risk of closing within the next year.”

Just 14 per cent predicted no change with client circumstances over the next year.

Xero's *State of the Industry* report surveyed 568 independent accountants and bookkeepers during November.

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