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Why Accountants Must Be Prepared to Advise Clients on Human Resources

Businesses today face more regulatory and human resources (HR) demands than ever before. Providing your small and midsize business clients with an effective way to address human capital management (HCM) and HR can help strengthen and grow their businesses — and yours.



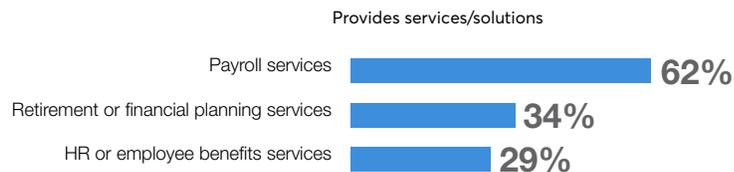
Clients may think they “have HR covered,” but, as accountants well know, often that’s a false sense of security, which only becomes apparent when clients are out of compliance and perhaps in a penalty situation.

In an increasingly complex human resources landscape, small and midsize businesses need help keeping up with fast-changing regulatory requirements and staying compliant. Yet business owners may not realize they already have a resource to turn to for answers, the person many consider their most trusted advisor — their accounting professional.

As an accounting professional, you may also not realize the value you bring to client HR and benefit matters. When seeking to expand your practice beyond taxes and provide value-added services, you may tend to gravitate toward payroll administration or retirement planning. However, your deep understanding of your clients’ overall businesses strongly positions you to take the next step of advising on additional regulation-heavy areas: HR and human capital management (HCM), a set of processes and technological tools that companies use to systematically improve recruiting, management, and performance.

To understand the accountant’s role and involvement in HR/employee benefits, Paychex and CPA.com commissioned Source Media/*Accounting Today* to survey accounting professionals in December 2016. The study of 379 accounting professionals shows low incidence of HR advisory among accountants, especially when compared with the frequency of payroll and retirement planning services.

FIG. 1: Prevalence of Additional Services Accountants Provide



Source: CPA.com & Paychex Study, SourceMedia Research, December 2016

Some accountants who participated in the survey say they don’t know enough to speak with authority on the subject. But the survey also reveals that accountants possess important insights about their clients’ businesses and can make knowledgeable recommendations about HR matters.

This white paper outlines why you should consider capitalizing on this emerging opportunity and explains how HCM and HR can further enhance accountant-client relationships and help you demonstrate greater value.

THE NEED IS REAL

HR has grown increasingly complex — and, in all likelihood, will continue to be so in the future. Businesses in all industries face liability risks and compliance challenges as new rules and regulations emerge. In recent years, the pace of those changes has been especially rapid. Staying current requires more resources than most owners of small and midsize businesses can realistically allocate. Because of their size, their main focus must be on running their businesses; HR tasks tend to be afterthoughts because they fall outside the business’s core competencies.

According to survey results, three areas in particular leave business owners struggling to keep up:

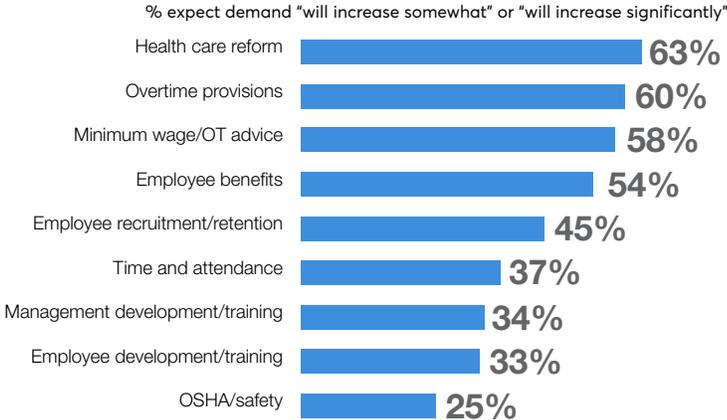
- Health care reform
- Overtime provisions
- Minimum wage requirements

Advising on HR can differentiate your firm and enhance its perceived value by positioning you as a business consultant, rather than solely a tax preparer and/or auditor.

For business owners, staying current with changes to federal policy on just one of these issues can be daunting; keeping up with all three can be overwhelming. And even though the federal regulatory burden on businesses is expected to lighten under the Trump administration, it's anticipated that, in response, many states will increase their own regulatory measures to ensure the protection of workers.

These come in addition to the routine HR tasks of recruiting and onboarding new hires; managing current employees; and selecting, introducing, and administering benefits packages. It's easy to see how HR can demand more resources than most business owners can realistically allocate. Others may think they "have it covered," but, as accountants well know, often that's a false sense of security, which only becomes apparent when clients are out of compliance and perhaps in a penalty situation. This is where an accountant's proactivity can pay off greatly.

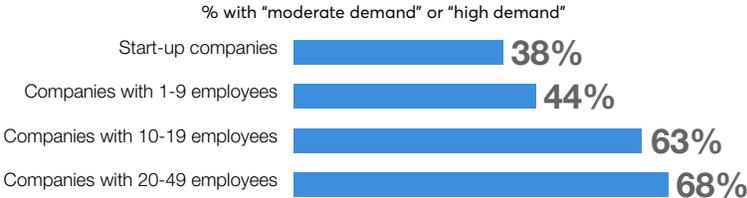
FIG. 2: Accountants' Estimated Increased Demand for HR/Employee Benefits Services by Small Business Clients in 2017 vs. 2016



Source: CPA.com & Paychex Study, SourceMedia Research, December 2016

Even if a business owner doesn't believe they have a need today that may not be the case in the future. "One of my clients has seven employees and is growing," one accountant notes. "As the business grows, they will run into more and more HR-related issues." Adds another respondent: "The businesses that need HR guidance are those that started with contractors who are now becoming full-time employees."

FIG. 3: Demand for Outsourced HR Services by Client Size



Source: CPA.com & Paychex Study, SourceMedia Research, December 2016

Businesses can't afford to expose themselves to the risk and liability that can result from non-compliance. Nor can they afford to miss out on qualified candidates or lose skilled employees because they are not investing time in HR functions and employee benefits. They need expertise to help manage this aspect of the business.

In the startup phase, businesses muddle through, tackling HR on their own. But when they enter a growth phase, the tasks of recruiting, onboarding, and retaining staff can overwhelm them — even though those activities are critical to a business' ongoing success.

FIRSTHAND ACCOUNTANT: WHY BUSINESS CLIENTS NEED HELP WITH HR

When Stewart Appelrouth, CPA, recommends that his accounting clients work with a trusted human resources/benefits partner, he's speaking from experience. As co-founder of Appelrouth Farah & Co, P.A., in Coral Gables, Fla., he needed help from experts to keep pace with the latest developments in HR that would affect his 40-person staff — something the CPA acknowledges are outside his wheelhouse. "HR has gotten so complicated in recent years," Appelrouth says. "Health care in particular is really complicated."

He turned to Paychex for HR solutions for his own firm, and when he sees his small and midsize business clients having similar struggles, he recommends they follow a similar path.

Appelrouth sees a pattern in his clients' HR issues: In the startup phase, businesses muddle through, tackling HR on their own. But when they enter a growth phase, the tasks of recruiting, onboarding, and retaining staff can overwhelm them — even though those activities are critical to a business' ongoing success.

"If you have one or two employees, you can manage," Appelrouth says. "But when you start getting to 10, 20 employees, it's impossible. And it's not something you can ignore."

But businesses at that size often can't justify hiring a full-time HR professional and building out a department. To stay competitive, they need professional help designing benefits packages that will attract and retain top talent, Appelrouth says. "They want to offer their employees generous benefits, but they don't know how," he explains.

Appelrouth sees accounting professionals like himself in a unique position to advise their clients on HR challenges. By understanding the HR struggles that each client faces — and often having shared this problem personally — accountants are able to steer their clients to a strong partner.

"I am not the expert," he insists. "That's why you need to work with a company that understands this stuff."

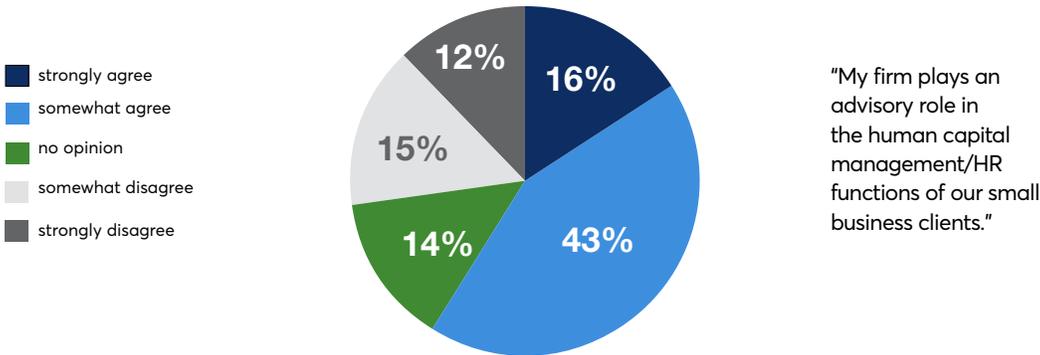
Advising on HR has become an important value-add for Appelrouth's practice. His clients see him as someone who goes beyond taxes and audits. Thanks to his HR advisory services, they also view him as a trusted partner for helping them solve their biggest business challenges.

Accountants aren't necessarily performing the actual work of creating benefits packages, hiring and training staff, and developing incentive programs. Instead, many have found they can be an important conduit between their clients and the right partner referral program.

AN EXTENSION OF THE ACCOUNTANT'S CORE BUSINESS

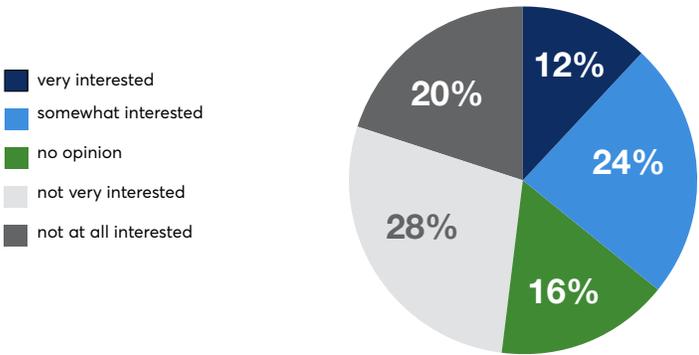
Proactively advising clients on HR matters can be a smart decision for accountants. Doing so may simply be a matter of formalizing an element of your practice that already exists; more than half of accountants say they already play an advisory role regarding HR issues for their small-business clients, most likely on an informal basis. It also is a way to add another revenue stream at a time when accounting practices are feeling pressure to lower fees. Additionally, advising on HR can differentiate your firm and enhance its perceived value by positioning you as a business consultant, rather than solely a tax preparer and/or auditor.

FIG. 4: **Accountants' Current Perception of Advisory Role in Clients' HR Functions**



Source: CPA.com & Paychex Study, SourceMedia Research, December 2016

FIG. 5: **Accountants' Interest in Expanding Advisory Role for Clients' HR Services**

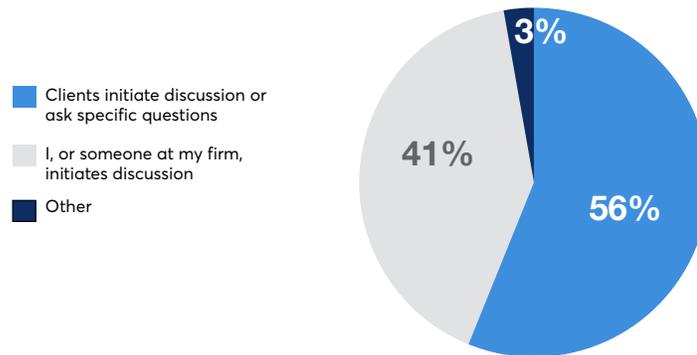


Source: CPA.com & Paychex Study, SourceMedia Research, December 2016

Accountants who do take an active role in HR say that the most compelling reason for doing so is that it's a service clients badly need and inquire about. According to survey results, more than half the accountants who engage in HR say they first took it on because clients approached them — not the other way around. Only 41 percent of accountants introduced the conversation about HR/benefits solutions themselves.

HR partner referral programs can help your business clients get the advice they need. Find a trusted, experienced partner who can provide online HR and HCM technologies/systems and dedicated service from knowledgeable and certified HR professionals.

FIG. 6: Initiation of HR/Benefits Discussions



Source: CPA.com & Paychex Study, SourceMedia Research, December 2016

By initiating the conversation, clients demonstrate how much they value their accountants' opinions and advice. Clients have a high degree of confidence that any information or recommendations from their accountant will be in their best interest. And it's reasonable to assume that many more small- and midsize business owners who haven't thought to ask their accountant for this form of support would welcome it.

Still, some accountants are reluctant to advise on human resources and employee benefits, citing their lack of knowledge and hesitancy to assume the responsibility. "HR is really complicated, and it's not something I want people to think I am expert in," notes one accountant in the survey. Others worry about their ability to find the right outsourced HR provider. "Any referral will be a reflection on me, good or bad," another respondent says.

Developing some level of proficiency and finding a trusted referral partner are believed to be worth the investment, however. Almost half of the accountants surveyed who *had* taken on an advisory role in HR/employee benefits say they did so to improve their client service and create deeper engagements with clients — as well as for the potential to increase revenue and billable hours. This confirms findings from the 2016 CPA.com Innovation in Public Accounting survey, in which 62% of respondents said that developing new offerings that expand the value they provide their clients was a priority for the next year.*

BECOME A RESOURCE FOR HUMAN RESOURCES

That's not to say these accountants are necessarily performing the actual work of creating benefits packages, hiring and training staff, and developing incentive programs. Instead, many accountants have found they can be an important conduit between their clients and the right partner referral program. "Outsourcing HR is definitely needed because [accounting] firms may not have the expertise or the time to properly handle these issues," one accountant states.

If you're ready to explore this growing area, here are some ways to get started:

Take stock of what you already know. You already have greater insight into your business clients' HR needs than you may realize. Accounting functions such as recordkeeping and financial reporting give you visibility into other client needs, such as recruiting, turnover, or managing benefits. Such observations can help you continue to guide them as they begin working with your referral partner.

* Drew, Jeff. "New client services top list of CPA firm priorities," Journal of Accountancy, Feb. 1, 2016 <http://www.journalofaccountancy.com/issues/2016/feb/new-client-services-top-cpa-firm-priority.html>

Rather than developing an HR capability yourself, you can perform some basic HR diagnostic assessments and help your business clients connect with a trusted partner to oversee this critical function.

Springboard from existing services offered. HR/benefits are a natural next step for many of the services you already offer. For example, if you provide financial advisory services to business owners, you're well positioned to discuss how a company-sponsored 401(k) plan could be a natural extension to their savings strategy. Likewise, while reviewing their payroll system and personnel files, you might recognize that your clients must categorize employees properly as exempt or non-exempt to stay compliant with any new overtime requirements that emerge.

Focus on the "sweet spot." According to survey results, accountants identify businesses with 20 to 49 employees as being the most receptive to outsourced HR/employee benefits. These businesses tend to have grown to the point where they are experiencing HR pains, but not so big that they can justify the cost of a dedicated HR department. While firms of this size certainly aren't the only ones that might welcome HR/benefits support from their accountant, they may be a good place to start.

Identify the experts. HR partner referral programs can help your business clients get the advice they need. Find a trusted, experienced partner who can provide online HR and HCM technologies/systems *and* dedicated service from knowledgeable and certified HR professionals. You want to feel confident about recommending them to your valued clients. Not only will they treat your client as well as you will, but you'll also know the partner you select respects your own relationship with the client. Ideally, choose one that creates resources to support you, such as Paychex and their [HR Diagnostic Worksheet](#) and accompanying [Accountant Guide](#), a tool intended for accountants to leverage with clientele.

HELPFUL TOOLS FROM CPA.COM AND PAYCHEX

Explore the [tools](#) CPA.com and Paychex offer to members of our Partner Program. Start with our Client [HR Diagnostic Worksheet](#) and accompanying [Accountant Guide](#), which accountants can use to walk clients through common recruitment, retention, and compliance issues to assess each's current state. You'll also find topical support such as health-care-reform updates and client-ready communications about regulatory changes.

You'll find additional materials on the [Paychex Accounting Tools and Resources](#) page.

CONCLUSION

Owners of small and midsize businesses strive to work *in* the business, not *on* the business. Yet over the last few years, the regulatory environment has become increasingly complex, requiring clients to spend significant time keeping up with legislation such as health care reform, new overtime rules, and minimum wage law changes — all in addition to managing ongoing HR tasks such as recruiting talent, managing employees, and administering benefits.

Attending to these HR functions diverts business leadership's attention, but it's work that can't be ignored. And business clients are already looking to their accountants for help, because these trusted advisors are ideally positioned to add value on these matters. Your deep knowledge of their businesses, through recordkeeping and financial reporting work, give you important insights into the HR challenges they face.

Rather than developing an HR capability yourself, you can perform some basic HR diagnostic assessments and help your business clients connect with a trusted partner to oversee this critical function. Doing so can not only generate additional billable hours and revenue for you, but also help strengthen client relationships, elevate your firm, and uniquely position your practice in a competitive marketplace.

METHODOLOGY

In December 2016, SourceMedia Research conducted an online survey among 379 public accountants who work with clients with fewer than 50 employees, drawn from *Accounting Today's* opt-in subscriber base.

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CPA.com offers a growing list of products and services for practice management, client advisory services, and professional development. The company has established itself as a thought leader on cloud technology and has been a driving force around the reemergence of virtual CFO/controller services by firms.

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