

Accountants Affinity Report

TECHNOLOGY/SOFTWARE

Affinity score*

1.05

TECHNOLOGY/SOFTWARE COMPANIES SEE FUTURE BURNING BRIGHT

Accountants can help these businesses optimize opportunities while addressing financial challenges

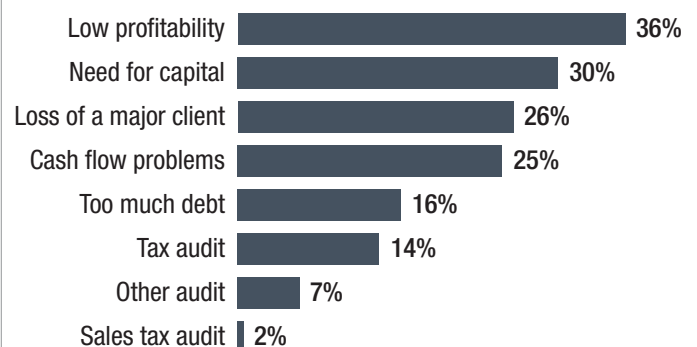
David W. Cearley, Vice President and Gartner Fellow, Gartner Research & Advisory, recently stated that “Technology will be embedded in everything in the digital business of the future.”¹ To make the most of this opportunity, technology companies are under increasing pressure to improve their time to market and ensure they are offering best in class products and services, according to the 2018 Technology Industry Outlook, a report from consulting firm Deloitte².

Not surprisingly, technology companies that are taking advantage of the opportunities available to them are enjoying considerable returns. 64% of technology/software company leaders surveyed in the Small Business Accounting Insights Survey conducted by SourceMedia Research/Accounting Today say that profits increased over the previous 12 months, while 68% expect revenue to increase in the next 12 months.

The big question for certified public accountants (CPAs) and accounting firms is, how can we better engage with these companies in a decidedly hot market? At first glance, opportunities for accountants appear middling at best, according to the survey. As a measure of both their current engagement with accounting services and their likelihood to use accounting services in the future, technology/software companies netted a 0.96 composite score. More specifically, they received a 1.05 affinity score, which measures how likely businesses within an industry are to use accounting services, slightly above the overall industry average score of 1.00. In contrast, their opportunity score indicating the likelihood of technology/software businesses to contract with accountants for new services in the next year was just 0.88, compared to the 1.00 average opportunity score for businesses in all industries.

FIGURE 1

Technology Companies: Financial Challenges



Source: SourceMedia Research/Accounting Today, October 2018

Overcoming obstacles

A better understanding of the financial challenges that technology/software companies face could help CPAs and accounting firms make some headway. As reported by leaders surveyed, in the past 12 months these include loss of a major client (36%), low profitability (36%), the need for capital (30%) and cash flow problems (25%) (see Figure 1).

Accountants could also make in-roads into the industry by offering the specific services that technology companies could use to succeed in this market, such as business/financial forecasting and tax planning, which 75% of technology/software leaders surveyed say their companies are interested in using in 2019.

*A measure of how likely businesses within an industry are to use accounting services — average score is 1.00.

In particular, individual technology/software company leaders say that they are looking for their accountants to:

- “Forecast future cash flow.”
- “Communicate efficiently and keep records of business we’ve done together.”
- “Discuss the numbers with me.”
- “Ensure tax compliance.”
- “Take care that the books are in order. Make recommendations for how to declare income that may be beneficial and how expenses could most benefit the partners.”
- “Explain tax info.”
- “Define things well and simply.”
- “Assist me with my bookkeeping and schedule C tax return forms and with knowing tax laws in reference to a small online business.”
- “Help put money away for retirement.”
- “Inform me of all deductions I can take.”
- “Locate more options for small business loans.”
- “Provide expertise and take on projects that I do not have time for.”
- “Make tax saving suggestions.”

By responding to the specific needs of technology/software companies in this market, CPAs and accounting firms can tailor their services and approach in an effort to become a truly valued resource for these firms.

Methodology

In September/October of 2018, SourceMedia Research/Accounting Today conducted an online survey of 1,014 small business owners/managers across different industries. For this study, small businesses were defined as those with less than 50 employees.

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References

¹ Gartner. Master Today’s Technology Trends. <https://www.gartner.com/en/information-technology/insights/trends-predictions>

² Deloitte. 2018 Technology Industry Outlook. <https://www2.deloitte.com/us/en/pages/technology-media-and-telecommunications/articles/technology-industry-outlook.html>