

# Analysis of the Main Difficulties and Future Operating Strategies of the Accounting Firm Industry

Chia-Chi Lee\*

Department of Accounting Information, National Taipei University of Business, No. 321, Sec. 1, Jinan Rd., Zhongzheng District, Taipei City 10051, Taiwan (R.O.C.)

## \*Corresponding Author

Chia-Chi Lee, Department of Accounting Information, National Taipei University of Business, No. 321, Sec. 1, Jinan Rd., Zhongzheng District, Taipei City 10051, Taiwan (R.O.C.)

Submitted: 2023, Sep 26; Accepted: 2023, Oct 14; Published: 2023, Oct 16

**Citation:** Lee, C.C. (2023). Analysis of the Main Difficulties and Future Operating Strategies of the Accounting Firm Industry. *Curr Trends Business Mgmt.* 1(1), 38-45.

## Abstract

*This paper discusses the main difficulties faced by the operation of the accounting firm industry, as well as the main operating strategies for it in the future. The data was sourced from the "2021 Investigation Report on the Accounting Firm Service Industry" conducted by the Financial Supervisory Commission in 2022, and statistical analysis was performed separately. Based on the analysis results, it is proposed in this study that the main difficulties in operation of the accounting firm industry are to reduce personnel costs as much as possible, train more skilled and excellent employees, and establish a sound client system. In terms of future operating strategy, efforts should be made to improve the service quality of the accounting firm, increase the number of professional assistants, strengthen staff training, and at least keep things ticking as far as possible, so as to provide managers with practical suggestions and improvement principles.*

**Keywords:** Main Difficulties; Future Operating Strategies

## 1. Introduction

According to the survey conducted by the Financial Supervisory Commission (2022), the sample of active accounting firms (hereinafter referred to as "firms") in 2021 is 1,200, an increase of 45 (3.9%) from 1,155 active accounting firms at the end of 2020. Therefore, this paper takes these 1200 firms as the samples to analyze the difficulties in the operation of the firm industry and the main operating strategies for it in the future.

According to the survey of the Financial Supervisory Commission (2022) by unit, at the end of 2021, there were 1,200 active firms. Among them, 87 firms had a total of 156 sub-firms, accounting for 7.3% of all firms, in which 55 firms had 1 sub-firm, 15 firms had 2 sub-firms, 7 firms had 3 sub-firms, 5 firms had 4 sub-firms, and 5 firms had more than 5 sub-firms, with a total of 1,356 business places (i.e., the total number of main firms and sub-firms).

According to the survey of the Financial Supervisory Commission (2022) by type of organization, at the end of 2021, in terms of the organization type of the firm, there were 908 sole proprietorship firms (i.e., individual firms), accounting for 75.7%, and 292 partnership firms (i.e., joint firms) operated by 2 or more accountants, accounting for 24.3%. Compared to that at the end of 2020, the number of sole proprietorship firms increased by 6 (+ 0.7%), while the number of partnership firms increased by 39 (+ 15.4%). As a result, the number of sole proprietorship firms at the end of 2021 was approximately 3.1

times that of partnership firms.

According to the survey of the Financial Supervisory Commission (2022) by region, at the end of 2021, in terms of the county and city where the main firm was based in, most firms were based in Taipei City, with a total of 502 firms, accounting for 41.8%, followed by 185 firms based in Taichung City, accounting for 15.4%, 177 firms based in New Taipei City, accounting for 14.7%, 90 firms based in Kaohsiung City, accounting for 7.5%, 65 firms based in Taoyuan City, accounting for 5.4%, and 59 firms based in Tainan City, accounting for 4.9%. In the past three years, the proportion of firms based in the above six main cities is close to 90%, indicating that the accounting firm industry is concentrated in developed metropolitan areas of industries and commerce.

To sum up, the accounting firm industry is a service industry with fierce competition. The purpose of this paper is to identify the difficulties that the accounting firm industry is facing, and explore future operating strategies that can help firms continue to operate in this market.

## 2. Analysis of the Main Difficulties in the Operation of the Accounting Firm Industry

According to the survey conducted by the Financial Supervisory Commission (2022), there were eight main difficulties that the accounting firm industry faced during operation in 2021, including (1) fierce competition in the accounting firm industry,

(2) depressed market of the accounting firm industry, (3) serious problem of conducting business without licenses or with the borrowed license from others, (4) heavy personnel costs, (5) Lack of skilled and excellent personnel, (6) the weak client system, (7) high turnover rate of professional personnel, (8) others. Item 8 “Others” was excluded from the analysis of this paper, and the top three factors were selected through statistical

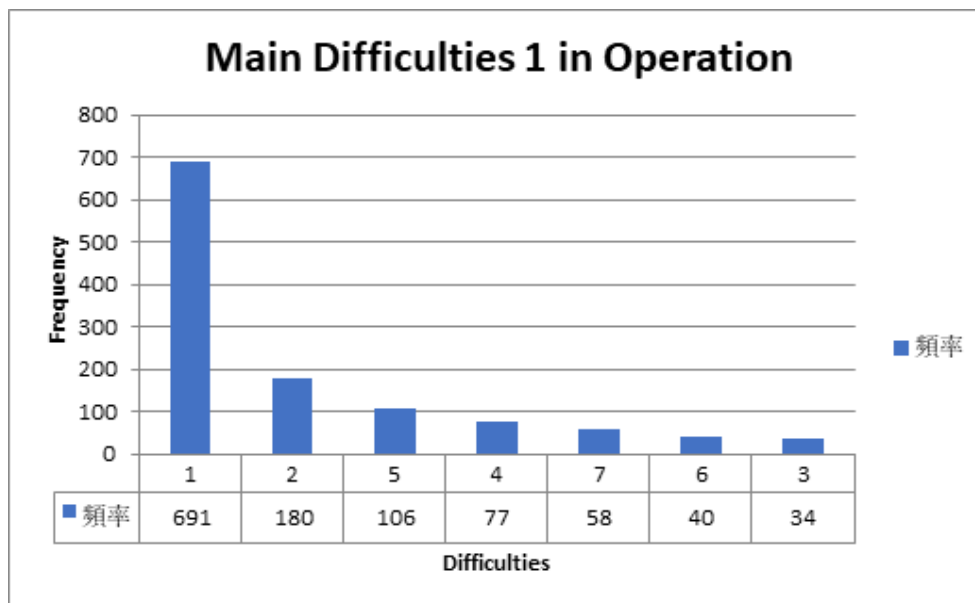
analysis of the first seven difficulties.

As shown in Table 1 and Figure 1, the main difficulties 1 faced by firms during operation include fierce competition in the accounting firm industry (691 firms), depressed market of the accounting firm industry (180 firms), and lack of skilled and excellent personnel (106 firms).

| Before sorting                   |           | After sorting                    |           |
|----------------------------------|-----------|----------------------------------|-----------|
| Main Difficulties 1 in Operation | Frequency | Main Difficulties 1 in Operation | Frequency |
| 1                                | 691       | 1                                | 691       |
| 2                                | 180       | 2                                | 180       |
| 3                                | 34        | 5                                | 106       |
| 4                                | 77        | 4                                | 77        |
| 5                                | 106       | 7                                | 58        |
| 6                                | 40        | 6                                | 40        |
| 7                                | 58        | 3                                | 34        |

**Table 1: Main Difficulties 1 in Operation**

1: Fierce competition in the accounting firm industry; 2: Depressed market of the accounting firm industry; 3: Serious problems of conducting business without licenses or with the borrowed license from others; 4: Heavy personnel costs; 5: Lack of skilled and excellent personnel; 6: The weak client system; 7: High turnover rate of professional personnel.



**Figure 1: Main Difficulties 1 in Operation**

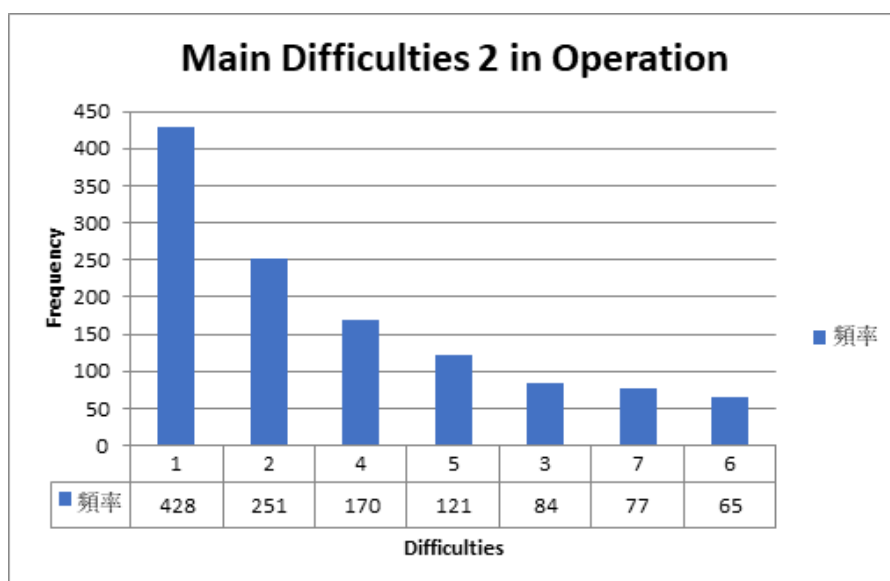
|    |           |
|----|-----------|
| 頻率 | Frequency |
|----|-----------|

As shown in Table 2 and Figure 2, the main difficulties 2 faced by firms during operation include fierce competition in the accounting firm industry (428 firms), depressed market of the accounting firm industry (251 firms), and heavy personnel costs (170 firms).

| Before sorting                   |           | After sorting                    |           |
|----------------------------------|-----------|----------------------------------|-----------|
| Main Difficulties 2 in Operation | Frequency | Main Difficulties 2 in Operation | Frequency |
| 1                                | 428       | 1                                | 428       |
| 2                                | 251       | 2                                | 251       |
| 3                                | 84        | 4                                | 170       |
| 4                                | 170       | 5                                | 121       |
| 5                                | 121       | 3                                | 84        |
| 6                                | 65        | 7                                | 77        |
| 7                                | 77        | 6                                | 65        |

**Table 2: Main Difficulties 2 in Operation**

1: Fierce competition in the accounting firm industry; 2: Depressed market of the accounting firm industry; 3: Serious problems of conducting business without licenses or with the borrowed license from others; 4: Heavy personnel costs; 5: Lack of skilled and excellent personnel; 6: The weak client system; 7: High turnover rate of professional personnel.



**Figure 2: Main Difficulties 2 in Operation**

|    |           |
|----|-----------|
| 頻率 | Frequency |
|----|-----------|

As shown in Table 3 and Figure 3, the main difficulties 3 faced by firms during operation include fierce competition in the accounting firm industry (629 firms), heavy personnel costs (167 firms), and the weak client system (94 firms).

| Before sorting                   |           | After sorting                    |           |
|----------------------------------|-----------|----------------------------------|-----------|
| Main Difficulties 3 in Operation | Frequency | Main Difficulties 3 in Operation | Frequency |
| 1                                | 629       | 1                                | 629       |
| 2                                | 66        | 4                                | 167       |
| 3                                | 83        | 6                                | 94        |
| 4                                | 167       | 5                                | 86        |
| 5                                | 86        | 3                                | 83        |
| 6                                | 94        | 7                                | 71        |
| 7                                | 71        | 2                                | 66        |

**Table 3: Main Difficulties 3 in Operation**

1: Fierce competition in the accounting firm industry; 2: Depressed market of the accounting firm industry; 3: Serious problems of conducting business without licenses or with the borrowed license from others; 4: Heavy personnel costs; 5: Lack of skilled and excellent personnel; 6: The weak client system; 7: High turnover rate of professional personnel.

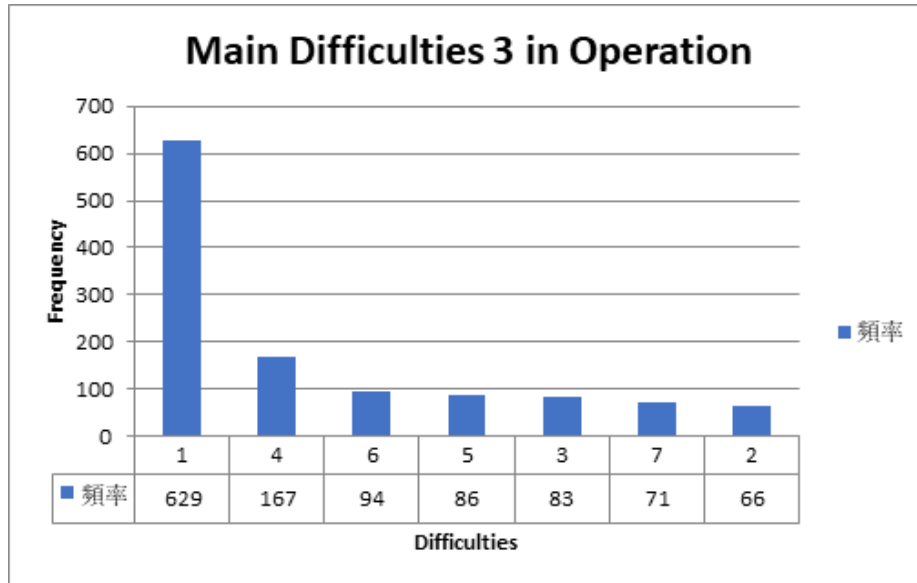


Figure 3: Main Difficulties 3 in Operation

| 頻率 | Frequency |
|----|-----------|
|----|-----------|

### 3. Analysis of the Main Future Operating Strategies for the Accounting Firm Industry

According to the survey conducted by the Financial Supervisory Commission (2022), there were 11 main future operating strategies for the accounting firm industry in 2021, including (1) improving service quality, (2) increasing the number of assistants, (3) strengthening personnel training, (4) maintaining status quo, (5) increasing the number of accountants, (6) achieving informatization of business management, (7) sending accountants to conduct business in mainland China,

(8) consolidating other firms, (9) establishing management consulting companies, (10) increasing sub-firms, (11) others. Item 11 “Others” was excluded from the analysis of this paper, and the top three factors were selected through statistical analysis of the first ten strategies.

As shown in Table 4 and Figure 4, the main future operating strategies of the firms include improving service quality (672 firms), maintaining status quo (191 firms), and strengthening personnel training (142 firms).

| Before sorting                     |           | After sorting                      |           |
|------------------------------------|-----------|------------------------------------|-----------|
| Main Future Operating Strategies 1 | Frequency | Main Future Operating Strategies 1 | Frequency |
| 1                                  | 672       | 1                                  | 672       |
| 2                                  | 131       | 4                                  | 191       |
| 3                                  | 142       | 3                                  | 142       |
| 4                                  | 191       | 2                                  | 131       |
| 5                                  | 23        | 5                                  | 23        |
| 6                                  | 20        | 6                                  | 20        |
| 7                                  | 2         | 8                                  | 7         |
| 8                                  | 7         | 9                                  | 4         |
| 9                                  | 4         | 7                                  | 2         |
| 10                                 | 2         | 10                                 | 2         |

Table 4: Main Future Operating Strategies 1

1: Improving service quality; 2: Increasing the number of assistants; 3: Strengthening personnel training; 4: Maintaining status quo; 5: Increasing the number of accountants; 6: Achieving informatization of business management; 7: Sending accountants to conduct business in mainland China; 8: Consolidating other firms; 9: Establishing management consulting companies; 10: Increasing sub-firms.

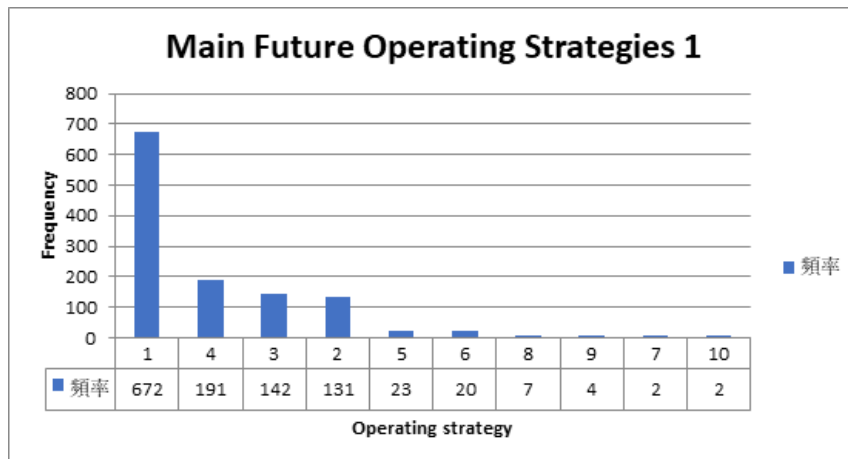


Figure 4: Main Future Operating Strategies 1

| 頻率 | Frequency |
|----|-----------|
|----|-----------|

As shown in Table 5 and Figure 5, the main future operating strategies of the firms include improving service quality (510 firms), increasing the number of assistants (261 firms), and strengthening personnel training (235 firms).

| Before sorting                     |           | After sorting                      |           |
|------------------------------------|-----------|------------------------------------|-----------|
| Main Future Operating Strategies 2 | Frequency | Main Future Operating Strategies 2 | Frequency |
| 1                                  | 510       | 1                                  | 510       |
| 2                                  | 261       | 2                                  | 261       |
| 3                                  | 235       | 3                                  | 235       |
| 4                                  | 75        | 4                                  | 75        |
| 5                                  | 33        | 6                                  | 75        |
| 6                                  | 75        | 5                                  | 33        |
| 7                                  | 1         | 8                                  | 5         |
| 8                                  | 5         | 9                                  | 4         |
| 9                                  | 4         | 7                                  | 1         |
| 10                                 | 0         | 10                                 | 0         |

Table 5: Main Future Operating Strategies 2

1: Improving service quality; 2: Increasing the number of assistants; 3: Strengthening personnel training; 4: Maintaining status quo; 5: Increasing the number of accountants; 6: Achieving informatization of business management; 7: Sending accountants to conduct business in mainland China; 8: Consolidating other firms; 9: Establishing management consulting companies; 10: Increasing sub-firms.

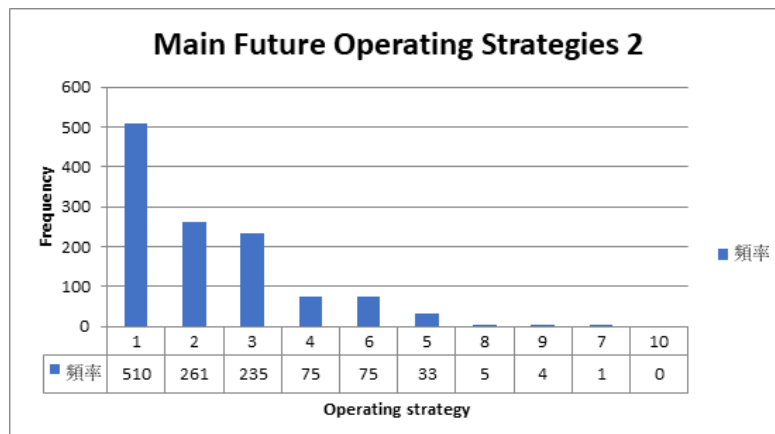


Figure 5: Main Future Operating Strategies 2

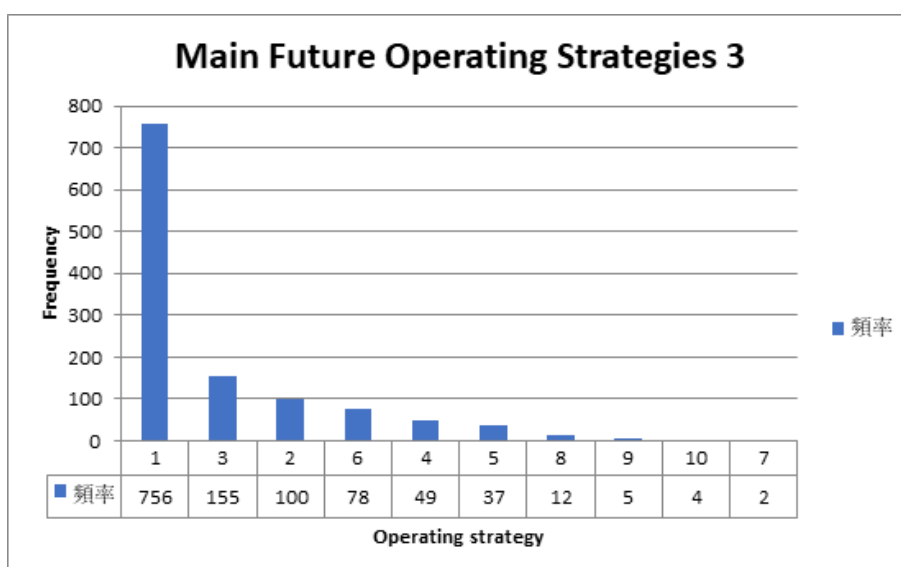
| 頻率 | Frequency |
|----|-----------|
|----|-----------|

As shown in Table 6 and Figure 6, the main future operating strategies 3 of the firms include improving service quality (756 firms), strengthening personnel training (155 firms), and increasing the number of assistants (100 firms).

| Before sorting                     |           | After sorting                      |           |
|------------------------------------|-----------|------------------------------------|-----------|
| Main Future Operating Strategies 3 | Frequency | Main Future Operating Strategies 3 | Frequency |
| 1                                  | 756       | 1                                  | 756       |
| 2                                  | 100       | 3                                  | 155       |
| 3                                  | 155       | 2                                  | 100       |
| 4                                  | 49        | 6                                  | 78        |
| 5                                  | 37        | 4                                  | 49        |
| 6                                  | 78        | 5                                  | 37        |
| 7                                  | 2         | 8                                  | 12        |
| 8                                  | 12        | 9                                  | 5         |
| 9                                  | 5         | 10                                 | 4         |
| 10                                 | 4         | 7                                  | 2         |

**Table 6: Main Future Operating Strategies 3**

1: Improving service quality; 2: Increasing the number of assistants; 3: Strengthening personnel training; 4: Maintaining status quo; 5: Increasing the number of accountants; 6: Achieving informatization of business management; 7: Sending accountants to conduct business in mainland China; 8: Consolidating other firms; 9: Establishing management consulting companies; 10: Increasing sub-firms.



**Figure 6: Main Future Operating Strategies 3**

| 頻率 | Frequency |
|----|-----------|
|----|-----------|

To sum up, it is also found in this paper that firm managers no longer need to focus on Strategy (7) “Sending accountants to conduct business in mainland China” and Strategy 10 “Increasing sub-firms”.

#### 4. Analysis of Personnel Costs

Table 7 shows the descriptive statistics of total annual salaries from 2019 to 2021. According to the average, the total annual salaries in 2020 (NTD 14,097,225) is not much different from that in 2021 (NTD 14,059,074), while the total annual salaries in 2019 has dropped a lot (NTD 13,831,745). According to the

maximum, personnel costs have a trend of increasing year by year, which indeed makes firms bear heavy personnel costs. In addition, it could be found from the skewness coefficient that all of them are 20 in these three years, which indicates a high degree of right skewness, and this severe right skewness could also be found from the fact that the mean is greater than the median. The number of firms has increased year by year from 1,140 in 2019 to 1,200 in 2021. This shows that the competition in the firm industry is highly fierce, and the burden of personnel costs is very heavy.

| Total annual salaries |               |               |               |
|-----------------------|---------------|---------------|---------------|
| Item                  | 2021          | 2020          | 2019          |
| Average               | 14,059,074    | 14,097,225    | 13,831,745    |
| Median                | 1,631,708     | 1,651,936     | 1,569,082     |
| Minimum               | 0             | 0             | 0             |
| Maximum               | 4,315,227,912 | 4,201,618,782 | 4,127,748,558 |
| Standard deviation    | 171,885,560   | 169,752,472   | 167,055,143   |
| Kurtosis              | 441           | 429           | 429           |
| Skewness              | 20            | 20            | 20            |
| Number of firms       | 1,200         | 1,155         | 1,140         |

**Table 7: Total Annual Salaries of Firms from 2019 to 2021**

### 5. Analysis of the Number of Professional Assistants

Table 8 shows the descriptive statistics of the number of professional assistants from 2019 to 2021. According to the average, the number of professional assistants dropped from 9.41 in 2019 to 8.71 in 2021, showing a trend of decline year by year. According to the maximum, the number of professional assistants in firms dropped from 1,901 in 2019 to 1,715 in 2021, showing a trend of decline year by year. In addition, it could be

found from the skewness coefficient that there is a right skewness in all these three years, and this right skewness could also be found from the fact that the mean is greater than the median. It can be seen that the number of professional assistants in the firm industry is decreasing day by day, and the turnover rate is very high, which makes it very difficult to retain excellent talents, so managers of firms should pay attention to this problem.

| Total number of professional assistants |          |          |          |
|---|----------|----------|----------|
| Item                                    | 2021     | 2020     | 2019     |
| Average                                 | 8.71     | 9.37     | 9.41     |
| Median                                  | 2.00     | 2.00     | 2.00     |
| Minimum                                 | 0.00     | 0.00     | 0.00     |
| Maximum                                 | 1,715.00 | 1,851.00 | 1,901.00 |
| Standard deviation                      | 71.05    | 75.32    | 75.98    |
| Kurtosis                                | 385.82   | 398.92   | 415.19   |
| Skewness                                | 18.76    | 18.96    | 19.26    |
| Number of firms                         | 1,200    | 1,155    | 1,140    |

**Table 8: The Number of Professional Assistants from 2019 to 2021**

### 6. Analysis of Refresher Training Costs

Table 9 shows the descriptive statistics of refresher training costs from 2019 to 2021. According to the average, refresher training costs dropped from NTD 150,985 in 2019 to NTD 87,302 in 2021, showing a trend of decline year by year. According to the maximum, refresher training costs in firms dropped obviously from NTD 45,330,175 in 2019 to NTD 19,240,560 in 2021, showing a trend of decline year by year. In addition, it could be found from the skewness coefficient that all of them are

20 in these three years, which indicates a high degree of right skewness, and this right skewness could also be found from the fact that the mean is obviously greater than the median. It can be seen that the accounting firm industry is spending less on refresher training costs year by year, and the opportunity to train excellent employees is also relatively reduced. This is a very serious situation for accounting firms, and firm managers should pay attention to this problem.

| Total refresher training costs |            |            |            |
|--------------------------------|------------|------------|------------|
| Item                           | 2021       | 2020       | 2019       |
| Average                        | 87,302     | 105,329    | 150,985    |
| Median                         | 6,300      | 7,600      | 8,300      |
| Minimum                        | 0          | 0          | 0          |
| Maximum                        | 19,240,560 | 24,936,510 | 45,330,175 |
| Standard deviation             | 814,489    | 1,078,167  | 1,880,122  |
| Kurtosis                       | 421        | 410        | 405        |
| Skewness                       | 20         | 20         | 20         |
| Number of firms                | 1,200      | 1,155      | 1,140      |

**Table 9: Refresher Training Costs from 2019 to 2021**

---

## 7. Conclusion and Suggestion

Based on the above analysis results, it can be seen that the main difficulty factors faced by accounting firms in operation include (1) Fierce competition in the accounting firm industry, (2) Depressed market of the accounting firm industry, (4) Heavy personnel costs, (5) Lack of skilled and excellent personnel, (6) The weak client system. Among them, “fierce competition in the accounting firm industry” is the greatest difficulty. Future main operating strategies include (1) Improving service quality, (2) Increasing the number of assistants, (3) Strengthening personnel training, (4) Maintaining status quo. Among them, “improving service quality” is the first strategy.

This paper suggests that in the competitive market, managers of accounting firms should try their best to reduce personnel costs, cultivate more skilled and excellent staff, and establish a sound

client system. In terms of future operating strategy, firm managers should strive to improve service quality of the accounting firm, increase the number of professional assistants, strengthen staff training, and keep things ticking as far as possible.

## References

1. Financial Supervisory Commission, (2022), 2021 Investigation Report on the Accounting Firm Service Industry, December.
2. Financial Supervisory Commission, (2021), 2020 Investigation Report on the Accounting Firm Service Industry, December.
3. Financial Supervisory Commission, (2020), 2019 Investigation Report on the Accounting Firm Service Industry, December.

**Copyright:** ©2023 Chia-Chi Lee\*. This is an open-access article distributed under the terms of the Creative Commons Attribution License, which permits unrestricted use, distribution, and reproduction in any medium, provided the original author and source are credited.