The people puzzle
Clients’ needs for HR advisory services go far beyond payroll
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Accountants should make the leap from providing payroll to advising clients on all their human capital issues

By Antoinette Alexander

Running a business and employing staff is not easy. The need to keep pace with payroll and tax requirements, and regulatory changes at the federal, state and local levels, all while looking to attract and retain quality talent, is bound to result in a few sleepless nights. For accounting firms, this complexity in payroll and human resources, coupled with advancements in technology, is opening up the world of payroll provision and giving rise to new avenues of growth. Enter human capital management.

“Firms are exploring different ways to provide value and deepen relationships with clients. Client accounting services is probably the best example of this, but human capital management is another area that’s on the rise, too,” said Vishal Thakkar, director of alliance marketing for CPA.com, the technology subsidiary of the American Institute of CPAs. “Part of that is driven by complexity in the payroll and human resources area. … Another reason is the evolving cost structure and capabilities of solutions in this area.”

“We’ve seen the peripheral world of recruitment, and benefits, and all of the different ancillary solutions that have been around the payroll world for many years, have now started to latch themselves onto the payroll product to morph into this HCM offering,” said Erron Stark, division vice president of channel sales for ADP, who noted that it’s a “natural fit” for payroll/accountant organizations to expand into the HCM arena.

A critical function

What exactly is HCM? It is essentially a term for people management. As explained by Paychex, HCM is “a set of processes and tools that companies use to systematically improve recruiting, management and performance.” In recent years, many accounting firms have seen an uptick in business clients turning to them for guidance on such issues as compliance, employee engagement, and recruiting and retaining talent.

“We are helping our clients with human capital management by working with them to identify what types of employees they need to compete in today’s ever-evolving work environment and how to train and retain the employees that are providing the type of performance that the company needs. It is imperative to create a culture of high performance in today’s business world,” said John Emshwiller, president of Emshwiller & Emshwiller in Bluffton, Indiana. The firm offers a range of professional services including payroll, bookkeeping services, business consulting and tax preparation.

Also seeing a need and opportunity in the marketplace is Top Eight Firm BDO USA, which supports clients and their HCM needs in several ways — outsourcing HR professionals and human capital strategy.

“(Outsourcing HR professionals) provides clients the subject-matter expertise that they don’t have in-house, and we do this in a variety of different ways. One way is you maybe have a client that doesn’t have the extra bandwidth in HR, so they need some help taking care of some of the tactical administrative initiatives. Or it could be that they just don’t want to take on the responsibility of the human capital management function anymore. So, in this way, we basically act like the client’s de facto HR department and we can provide that outsourced fractional time,” said Greg Gratto, managing director-in-charge of the human capital management practice within BDO’s business services and outsourcing group in the San Francisco office. “The second offering that we provide is around human capital strategy.”

Now throw into the mix the COVID-19 pandemic, which has resulted in a whole new set of challenges and related regulatory changes for businesses.

The impact of the pandemic

While HCM has long been a critical function of running a successful business, the coronavirus pandemic, and the landslide of related legislative changes, are breathing new life into HCM and the valuable role that accountants can play in it. “The pandemic has kind of been a forcing function to get accounting professionals to adopt more cloud-based solutions and business-saving advisory services,” said Will Lopez, head of Gusto’s accountant community. "It wasn’t until things like the pandemic or the [Paycheck Protection Program] that has created more need to ensure that the advice that an accountant would be delivering to its client was more holistic in its approach to include not only the client’s business, its resiliency, and its technology, but now its teams."

Said Tom Hammond, vice president of corporate strategy and product management at Paychex, “If you look at what has happened over the last several years, I think what we have seen is a digital transformation where businesses, pre-COVID-19, were really suffering from a lack of candidates. … It was a very, very compli-
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cated environment between the worker and the employer and it was a very competitive environment, meaning you needed a full-on benefits package. As such, the HCM suite and the full complement of products around the employee were really needed. As we look at what happened in COVID-19, I think that actually accelerated the digital transformation as businesses very quickly needed to make some very complicated decisions.”

Seeing the shift in client needs firsthand since the outbreak is Indiana’s Emshwiller. “In the COVID-19 environment we live in today, we have seen clients turn to us for help in areas that were never needed before, such as the Payroll Protection Program, how to have employees work from home, and helping create an accountability system to measure productivity,” he said. Added BDO’s Gratteau, “There has absolutely been an increase in potential clients coming our way. There has been an uptick, absolutely, in our current clients that have asked for additional support and services.”

Technology: The enabler
With the increased focus on HCM among accounting firms, providers of HR, payroll and benefits solutions have been ramping up their product offerings.

“I think clients have always turned to accountants for advice on human capital, how to manage their employees, advice on maximizing not only their bottom line as far as expenses, but also creating attractive compensation packages and benefits packages for their employees. But they also look to us for what are the market salaries and the qualities that they should be looking for in an employee. I’ve seen that throughout my career, so I wouldn’t say that is anything super new,” said Heather Satterley, founder of the firms Satterley Training and Consulting and Backoffice Ally, in Portsmouth, R.I. “What I would say is that accountants now have access to a lot more resources than we ever have before.”

Take, for example, the tools and resources available through ADP, such as its workforce analytics platform ADP DataCloud. Through enhanced artificial intelligence capabilities, the recently revamped platform leverages ADP’s workforce data from more than 30 million employees to deliver actionable insights that can help executives make real-time decisions. New features and benefits include model-based benchmarks. In this new capability, ADP can give a view of compensation for up to 150 million working people, driven by a set of deep learning models that extract patterns and knowledge from millions of payroll records and job profiles.

“We’re creating benchmarks so that CPAs … can start to use cross-client analytics to start to benchmark where each of their outsourcing clients kind of ranks against each other. That immediately activates an opportunity to advise and consult, and book meaningful revenue by being a better partner to your clients,” said Paul Epperlein, vice president of channel sales at ADP.

Another example is Paychex, which over the course of the last quarter has released several new Paychex Flex features and functions to address the business challenges and shifting workplace dynamics resulting from the pandemic. New features and functionality include HE Connect, which enables employees to digitally submit questions, requests and incidents directly to HR through a workflow, and Worker Templates, which simplifies the process of adding new workers by allowing administrators to create templates with default settings that automatically populate commonly used fields within Paychex Flex.

Paychex also introduced a PPP Loan Forgiveness Estimator and Forgiveness Report in Paychex Flex. “The accountants have come to us and said, ‘We need a partner that knows the regulations of the CARES Act, of [Families First Coronavirus Response Act], of the PPP loan, of the forgiveness process.’ We have given [accountants] tools to manage that, the technical piece of that, and then we’ve given them the service arm, and we’ve coupled it with the [human resource generalist] to talk about the HR, the personal elements of this,” said Hammond. When asked how SurePayroll, a Paychex company, is helping accounting professionals better serve their small-business clients in the area of HCM, general manager John Cumbee said that the company is staying true to its small-business DNA, and over the past few months, it has “pivoted our focus to execute on what small businesses need to manage their employees and keep their businesses afloat — and that partnership extends to our accountant resellers on the front lines as well.”

SurePayroll is also in the process of rolling out new offerings. “We’re in the process of a beta launch of an e-commerce, streamlined onboarding platform for accountants bringing clients on for payroll services, which we will also use for related service offerings as they are rolled out. We’re also testing the waters with an HR Support Line offering to our small-business clients,” said Cumbee. “Additionally, we are planning to offer a self-service payroll plan for accountants who would like to handle the payment and filing of their clients’ payroll taxes themselves, and access to workers’ compensation insurance and 401(k) integrated directly with payroll.”

Meanwhile, Gusto is providing a new way for accountants to serve their clients and expand revenue for their firms through its new People Advisory Powered by Gusto. People Advisory provides accountants with tools and training to help advise small businesses on their people, and features an e-learning and certification program.

“There’s really been no streamlined way for [accountants] to become experts on people, and a people platform, which is that integrated journey of payroll benefits and people operations. There’s been really no training designed for accountants and bookkeepers that teach consultative frameworks that they can use to advise clients on building a great place to work,” said Gusto’s Lopez. “And there’s really been no way for accountants to signal expertise to current and prospective clients around creating thoughtful journeys of the people operations.”

Upon completion of the certification program, participating accountants will be People Advisory Certified, and receive a badge demonstrating completion.

Gusto has also rolled out a new suite of hiring and onboarding tools. According to Gusto, nearly 1,000 customers have been testing the new features, which have helped to cut hiring and onboarding time in half.

Expanding into HCM
Interested in expanding into the realm of HCM? If so, sources have some words of wisdom to share.

For starters, said ADP’s Stark, firms can identify growth opportunities by asking clients the right questions:

- What is your current onboarding process?
- Where are you finding top talent today?
- What kind of benefit offerings are you providing to your current and new employees that are attractive and enable you to retain talent?
- What are some ways in which you are controlling cost and labor as it relates to time and attendance? Do you have an automated system in place?

“If accounting professionals start to ask questions that relate to that, whether they have the solution to address it in place or not, they are at least going to start to identify the ways that their clients are addressing those particular questions,” Stark said.

Cumbee of SurePayroll said it is important not to assume that the need for HR is one-size-fits-all. “Take the time to understand what your small-business clients are looking for, what industry they are in, where they are in their small business lifecycle and, ultimately, what they’re willing to pay for.”

Added Cumbee, “Understand what services are revenue generators and what services are retention-drivers and consider pricing accordingly. A good approach would be to add a markup on services where you are adding value on top of the service itself.”

Suggested Gratteau of BDO, “In most businesses, the single most expensive part of that business is actually their people. In my entire time of being in human resources, I’ve always made an effort to work very closely with the finance team because you need to have those synergies of understanding the costs, the budgets, what impact from a financial standpoint any initiatives with your human capital are going to have.”

Firms that offer HCM-related services have a unique opportunity to not only deepen client relationships but also drive greater revenues.

“Many have heard of [HCM], but few really understand it and there are many different interpretations. What you need to understand is the solid logic behind it,” said Emshwiller. “It is a shared investment by the company and employees to make the working environment better for everyone, and when this is done, everyone benefits.” AT