

2025 Accounting Firm  
Technology Survey

# Becoming a Modern Firm: The 5 Stages of Development

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# 01. Introduction

The accounting profession is at a critical juncture, and many firms recognize the need to evolve. Until now, comprehensive research has been scarce on mapping the specific stages of this transformation. The 2025 Accounting Firm Technology Study was fielded to better understand that critical knowledge gap and develop a definitive stage-based framework that identifies and categorizes accounting firms according to their operational maturity levels. The findings from the study capture the current state of the profession's modernization journey and reveal patterns that distinguish firms at different stages of their transformation.

## Key Findings

### The most modern firms report 23% more revenue per employee, and:

- 68% place a "very high" value on the cloud, compared to 30% of less modern firms.
- 70% are seeking to grow in the next year, compared to 45% of less modern firms.
- More modern firms have significantly more knowledge and higher comfort levels with AI than less modern firms.

### Findings across all stages:

- Half of all firms have migrated at least 75% of apps/data to the cloud.
- IT and security emerged as universal priorities across all stages of development.
- Firms spend an average of 6% of revenue on technology, regardless of size or development stage.
- 96% of firms acknowledge the benefits of AI, yet 98% of firms have concerns about it.
- 53% of firms use ideal client profiles to guide business decisions.

This research provides accounting firms with critical insights at a time when modernization decisions directly impact competitiveness and profitability. By documenting the specific practices that distinguish firms at different maturity levels, this framework offers practitioners a clear view of the operational gaps that may be limiting their growth and efficiency. The following analysis reveals not only where the profession stands today but also that advancement through the development stages correlates with measurable business outcomes, suggesting that strategic investments in the right areas can strengthen a firm's operational foundation and development potential.

## Purpose of the Research

- **Establish a comprehensive modernization framework** through a data-driven model that categorizes accounting firms into distinct stages of development.
- **Quantify the impact of modernization**, revealing a correlation between modern tools/strategies and business outcomes.
- **Identify current state and future intentions** to understand where firms stand today and their priorities for the future.
- **Expose gaps** in awareness of essential tools and practices.

## Demographics and Methodology

A 10-minute online survey was conducted in June/July 2025 among 494 decision makers/influencers at accounting firms nationwide. The survey measured the adoption of technology and workflows, IT and security infrastructure, and firm management practices to benchmark the profession's current performance across key indicators.

**The distribution of respondents by firm size closely reflects the actual composition of the accounting firm market and includes:**

**51%** 254 respondents | identifying as small firms (1-5 employees)

**26%** 128 respondents | identifying as mid-sized firms (6-20 employees)

**23%** 112 respondents | identifying as large firms (21+ employees)

Significance was tested at the 95% confidence level.

## Definitions

For the purpose of this survey, "Cloud" is defined as the storing and managing of firm data and applications in a secure, cloud-based environment.

The Modern Firm Assessment

# Find out where your firm stands.

Take our quick Modern Firm Assessment at [rightworks.com/modern-firm-assessment](https://rightworks.com/modern-firm-assessment) to see your firm's development stage, and discover how to move to the next level of growth, security, and performance.

Stage	Stage Name	Key Focus	Score Range
5	Future Proof	Leading Innovation	95%-100%
4	Advancing	Maximizing Performance	80%-94%
3	Optimizing	Streamlining Operations	65%-79%
2	Emerging	Gaining Momentum	50%-64%
1	Pathfinding	Laying the Foundation	0%-49%

## 02. A Study of Modern Firm Development

To understand where accounting firms stand in today's evolving business environment, a comprehensive assessment framework was developed that evaluates three critical areas of modern practice management. By scoring firms across technology capabilities, security readiness, and business management, the framework determined how well a firm is positioned to operate as a truly modern practice.

### Three Key Assessment Areas

#### 1. Technology and Workflows

A firm's technology infrastructure determines how well it can serve clients and compete in today's market. This assessment evaluates core technological infrastructure through questions such as:

Does your firm...

- Access most of your data/apps through one website or online portal?
- Have the ability to support remote workers?
- Enable access to multiple applications through single sign-on (SSO)?

#### 2. IT Administration and Security

A firm's approach to cybersecurity and data protection reveals how well-prepared it is to manage today's digital risks. This assessment examines security readiness through questions such as:

Does your firm...

- Outsource IT to an outside firm?
- Provide extra layers of security on firm devices (e.g., multifactor authentication)?
- Provide cybersecurity awareness training to all staff?

#### 3. Firm Management

A firm's ability to effectively manage operations, clients, and long-term vision can create a profound shift from merely surviving to truly thriving. This portion of the assessment evaluates these capabilities through questions such as:

Does your firm...

- Have a documented strategic growth plan?
- Review client profitability to identify low-margin/unprofitable accounts?
- Require clients to use the same apps/systems that your firm uses?

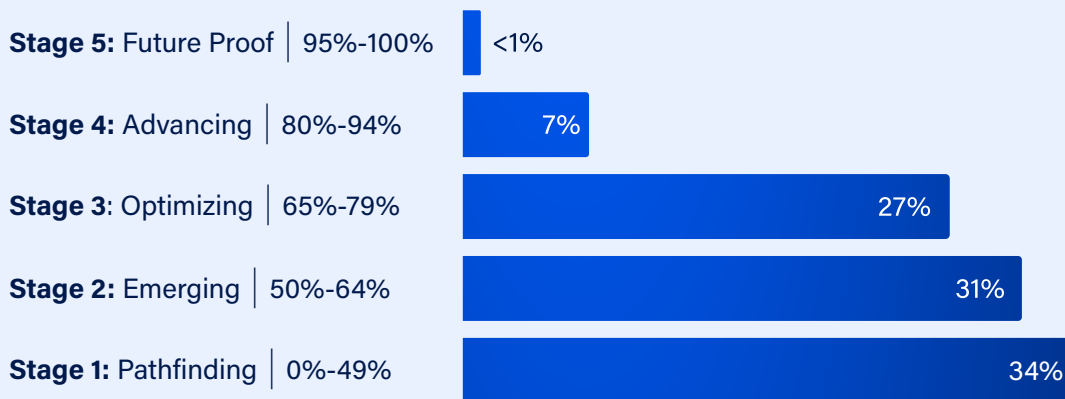
This study examined the three key assessment areas through 27 detailed questions and numerous follow-ups, with individual questions weighted by their impact on firm development. Each firm received a percentage score quantifying its operational maturity and modernization progress within The 5 Stages of Modern Firm Development.

## Introducing The 5 Stages of Modern Firm Development

The 5 Stages of Modern Firm Development provides a progressive framework where accounting firms advance through sequential stages toward complete modernization. The journey begins at Stage 1: Pathfinding, where firms take their first steps toward transformation. As firms strengthen their technology infrastructure, implement comprehensive security measures, and develop sophisticated management practices, their completion scores increase, advancing them through the stages. The framework culminates at Stage 5: Future Proof, representing 95%-100% completion and comprehensive firm development and modernization.

### Percentage of Survey Respondents by Stage of Development

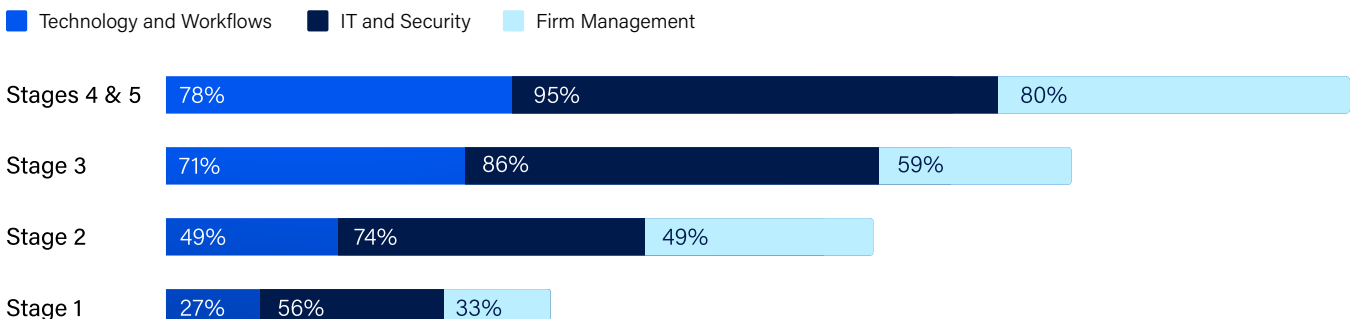
Based on total respondents (n=494)



## What We Learned

The findings revealed stark differences between firms at various development stages, with one notable exception. Given the sensitive financial data that accounting firms manage, IT and security emerged as universal priorities across all stages, with security achieving the highest completion percentages across all development stages compared to technology and management areas.

### Key Assessment Area Completion by Development Stage




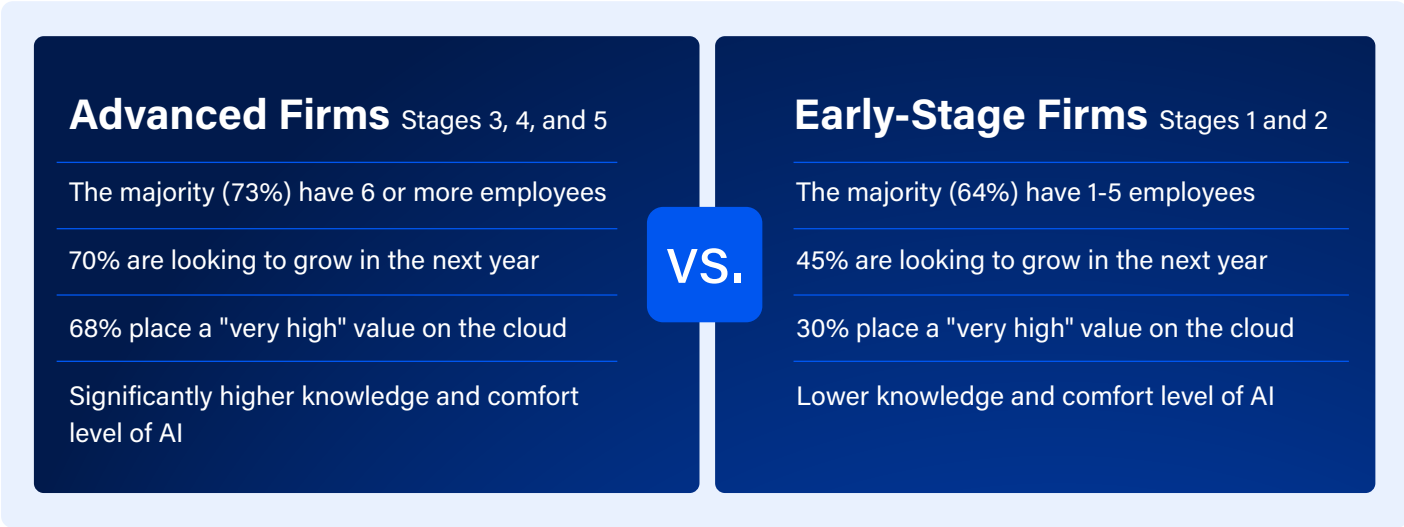
Firms comfortably sitting in Stages 3, 4, and 5 show significantly higher confidence in cloud technology, with 68% placing “very high” value on cloud solutions versus just 30% of early-stage firms. They also report greater knowledge and comfort levels with Artificial Intelligence (AI).


This technological confidence appears to align with firm growth ambitions, with 70% of firms in the top 3 stages seeking to grow in the next year. Conversely, nearly half of Stage 1 and 2 firms plan to stay the same size or downsize.

While perception of cloud value and growth plans were not factors used to determine stage classifications, the strong correlations suggest that technological optimism and growth mindset may be defining characteristics of a firm’s trajectory.

This relationship becomes even more compelling when you consider that the most advanced firms generate 23% more revenue per employee, despite averaging the same investment in technology, which is 6% of annual revenue across the board—regardless of firm size or development stage.

 **The most modern firms report 23% more revenue per employee.**



 **Firms spend an average of 6% of revenue on technology, regardless of size or development stage.**

### Revealing Intentions and Oversights

The survey findings provided far more than a snapshot of current technology stacks, security measures, and firm management practices. They revealed insight into where firms plan to focus their energy and investments in the future and identified significant gaps in areas where many firms have no implementation plans. The result is granular data showing where firms stand today and where they’re headed tomorrow, detailed in the following chapters.

## 03. Key Assessment #1: Technology and Workflows

A firm's technology stack has become the operational backbone to serve clients efficiently, scale operations, and remain competitive in today's market. The ability to securely deliver documents through client portals, provide immediate access controls, support remote work, and integrate multiple applications through unified platforms directly impacts client satisfaction and internal productivity.

Understanding how accounting firms approach technology provides insight into their operational sophistication and readiness to compete in an increasingly modern profession.

Survey data reinforces the positive correlation between technology adoption and business outcomes—beyond the revenue increases previously cited. Out of 382 survey respondents who provided open-ended responses, nearly two-thirds (64%) report positive impacts from technology implementation over recent years. The primary benefits were identified as efficiency and productivity gains (25%), remote work flexibility (16%), and automation capabilities (12%).

While 20% reported negative impacts, mainly related to costs and technical issues, the overall sentiment demonstrates that most organizations find value in their technology investments, which provide the foundation for additional advances that drive firm development.

### Tech Spending: The 6% Standard

Among 317 firms that provided budget data, technology spending averages 6% of annual revenue, despite firm size or development stage. However, as one respondent noted, the rapid pace of technology change creates pressure to increase spending, reflecting underlying concerns about ROI "...if we don't use it well, what's the point?"


“ [Technology] has given our clients confidence that we are not stuck in the past and are working to improve and innovate.

### Cloud Adoption

For the purpose of this survey, "Cloud" is defined as the storing and managing of firm data and applications in a secure, cloud-based environment. While two-thirds of firms (67%) recognize cloud migration as having high or very high value for their operations, this perception varies dramatically by development stage. Firms in the top three development stages show strong consensus, with 86%-88% rating cloud migration as highly valuable, while the majority of Stage 1 firms (60%) view it as having only moderately or low value.

## What is your view on the value of moving data and applications into the cloud?

	All Respondents	Stage 1	Stage 2	Stage 3	Stage 4 and 5
Very High & High	67%	40%	74%	88%	86%
Moderate or Low	33%	60%	26%	12%	14%

 **50% of firms have migrated at least 75% of their data and apps to the cloud.**

Half of all firms have successfully migrated at least three-quarters of their data and applications to the cloud. Yet, larger firms are ahead when it comes to complete cloud migration. Twenty-five percent of mid-sized and large firms have fully migrated compared to just 14% of small firms.

Firms are moving their most basic business tools to the cloud first. Email and accounting software are the most popular cloud applications, used by about three-quarters of all firms. However, larger firms adopt cloud services more broadly. Out of nine identified use cases, small firms indicated they utilize an average of four of them, while larger firms averaged six.

## Which of the following best describes how your firm currently uses cloud-based services?

	Small Firms	Mid-sized Firms	Large Firms
Email and communication tools	69%	81%	86%
Accounting software	64%	81%	80%
Tax preparation software	68%	63%	61%
Client portal/document sharing platforms	55%	71%	76%
File storage and backup	60%	63%	63%
Data backup and disaster recovery services	45%	62%	72%
Desktop applications accessed remotely	35%	55%	68%
Practice management software	24%	48%	52%
Fully hosted virtual desktop environments	19%	31%	47%

## Navigating Cloud Migration Challenges

The path to cloud migration presents consistent challenges across the profession. Insufficient technical expertise/resources emerged as the primary obstacle (40%) regardless of a firm's current migration status, especially for firms in the first stage of development, with 52% citing lack of technical expertise as the biggest challenge.

Beyond technical barriers, all respondents also named budget constraints (32%), time limitations (24%), and a lack of understanding of available options (23%) as impeding progress.

### What are the biggest challenges when moving data/applications to the cloud?

Total answering: Those who have at least some data/apps in the cloud

Lack of technical expertise/resources	40%
Budget	32%
Lack of time	24%
Lack of understanding choices	23%
Internal resistance to new technology	20%
Current technology hampers moving to the cloud	10%
Other	7%
None	19%

## Realizing Cloud Migration Benefits

Encouragingly, internal resistance to technology has declined significantly from 28% (reported in Rightworks' 2024 Accounting Firm Technology Survey) to 19% today, suggesting firms are becoming increasingly receptive to the benefits of technology. One survey respondent expressed this sentiment:

"We wouldn't be a business without technology. All of our firm operations are done via a hosted desktop. All client interactions are done electronically (no in-person meetings), and our firm is constantly looking for ways in which technology can make us more efficient."

For organizations that have migrated at least some operations to the cloud, remote access stands out as the most valued benefit across all firm sizes. When forced to select just one top advantage, 56% of respondents chose remote access—a 10 percentage point increase from the previous study.



*Technology has helped us service our clients remotely and has been key to growing our business.*

While the staffing benefits of remote access are well-documented in helping firms access talent beyond their local market, the client-side advantages are equally compelling. Cloud-based portals are redefining the boundaries of client service, enabling firms to expand their geographic reach and improve response times, as one respondent explains, “Technology allows me to work with clients from all over the country rather than just locally. I don’t have to go meet with a client physically to receive a document or wait for it to be mailed; they can send a photo through the portal, and I can have it in seconds.”

While cybersecurity (15%) and data backup capabilities (14%) also ranked as important benefits, they remained distant secondary priorities, confirming remote access as the dominant value driver for cloud adoption.

## What is your firm’s biggest benefit from being in the cloud?

Total answering: All respondents

Accessible from anywhere/remote access	56%
Cybersecurity	15%
Data backups	14%
Ease of use	6%
Team collaboration	4%
Application performance (speed)	2%
Other	1%
None	1%

 Remote access is the top benefit of cloud migration for firms.

## The Complete Cloud Migration Possibility


The study shows varied levels of readiness for complete cloud adoption. Currently, 20% of firms have migrated all data and applications to the cloud, while an additional 25% are highly comfortable with complete migration. This means 45% of firms are either fully migrated to the cloud or ready to take that step.

A little over half of all surveyed firms remain hesitant about complete cloud migration, including the most advanced firms. Those in Stages 4 and 5 show significantly higher comfort levels (53%) compared to Stage 1 firms (15%), but they still show a notable reluctance to fully embrace cloud dependency.

## How comfortable would you be moving all of your data and applications to the cloud?

Total Answering: Respondents who do not already have ALL data/apps in the cloud.

	Stage 1	Stage 2	Stage 3	Stages 4 and 5
<b>Very comfortable</b>	15%	37%	49%	53%
<b>Moderately comfortable</b>	27%	44%	38%	33%
<b>Slightly comfortable</b>	32%	12%	9%	13%
<b>Not at all comfortable</b>	26%	7%	4%	0%


 **45% of firms are either fully migrated to the cloud or ready to take that step.**

Firm size plays a significant role in migration readiness. Mid-sized and large organizations demonstrate substantially greater willingness to pursue complete cloud migration, with 48% of mid-sized firms and 43% of large firms expressing high comfort levels. In contrast, only 19% of small firms share this level of confidence in complete migration.

## AI: Universal Concerns, Universal Benefits

AI is rapidly becoming a central component in how accounting professionals evaluate their technology stacks, creating a paradox of adoption. Firms are caught between AI's promising possibilities and legitimate hurdles, creating warranted hesitation to embrace the technology fully.

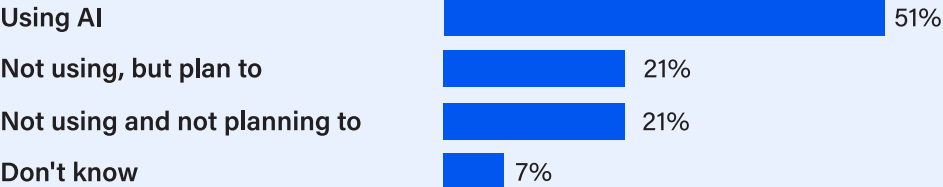
Nearly all firms (96%) acknowledge the potential benefits of AI, yet an almost equal overwhelming majority (98%) harbor concerns about its implementation. As one respondent writes, "I think AI is heading in the right direction but not there yet." This near-universal recognition of both risks and rewards underscores the complexity of AI adoption decisions facing today's accounting practices.

 **96%** of firms acknowledge the **benefits** of AI

 **98%** of firms have **concerns** about AI

While the most advanced firms in Stages 3-5 report AI usage rates averaging 70%, the overall survey results reveal a stark divide. Of all surveyed respondents, just half (51%) are using AI, another 21% are planning to adopt it, and 21% have no plans to use it at all.

### AI Use Overall



Despite widespread recognition of its potential, only 51% of firms use AI in any capacity.

### Knowledge and Comfort Levels of AI

While AI dominates conversations across the industry, a disconnect exists between the buzz and actual understanding within accounting firms. A substantial 65% of practitioners admit to having minimal or no knowledge of AI applications, revealing a significant gap between industry hype and ground-level expertise.

This knowledge deficit persists even as comfort levels rise. Forty-six percent of firms now report feeling very or moderately comfortable using AI in their firms, up from 34% in the previous survey. The disconnect between growing comfort and stagnant knowledge suggests that practitioners are gaining surface-level exposure through basic AI interactions without developing a deeper understanding of the technology's capabilities, limitations, or strategic applications.

*“ I have tried to utilize [AI] automation. I’m struggling with the learning curve, but once I get it right, I know it will have been worth the money, time, and effort.”*

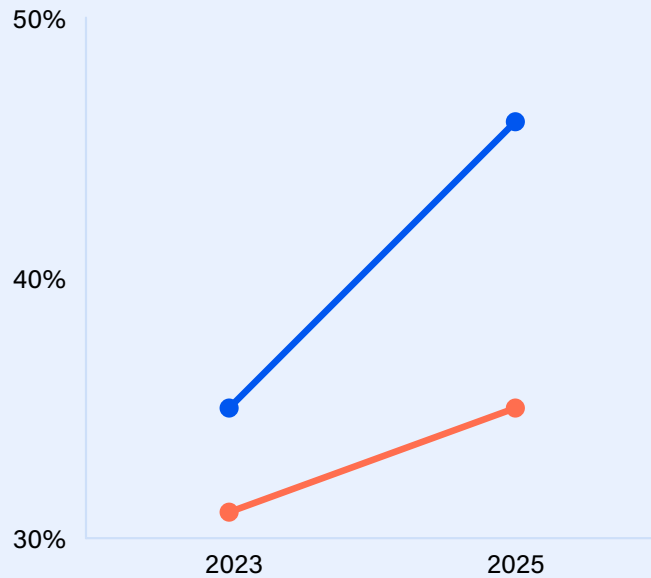
## Growing Comfort and Knowledge with AI (2023-2025)

How comfortable are you/would you be using AI in your firm?

Very/Moderately Comfortable

How knowledgeable do you feel about AI?

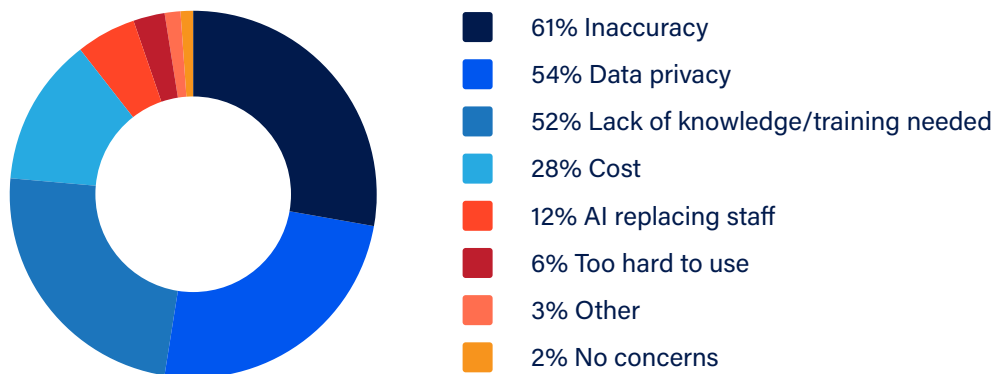
Very/Moderately Knowledgeable



## Predictable AI Concerns

The fundamental barriers to AI adoption remain strikingly similar regardless of a firm's size or stage of development. Accuracy concerns top the list at 61% overall. Data privacy concerns follow at 54%, and lack of knowledge and training ranks third at 52%.

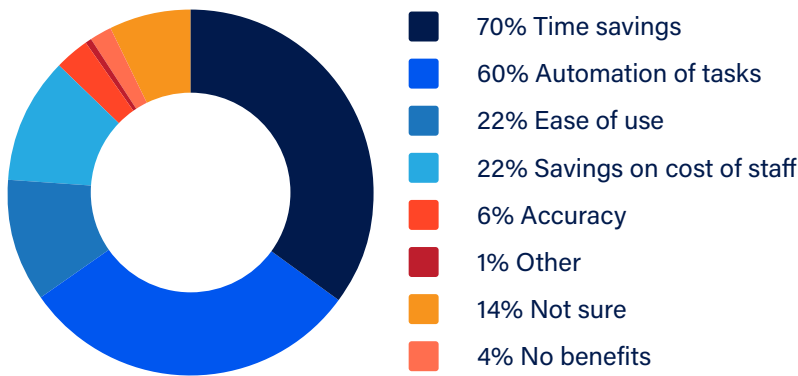
### What are your biggest concerns about using AI?



## The Bright Side of AI

Despite the concerns, firms recognize AI's transformative potential. An impressive 70% cite time savings as a key benefit, while 60% highlight task automation capabilities. These priorities showcase the profession's strategic focus on enhancing efficiency and expanding capacity to better serve clients.

## What do you believe are the biggest benefits of using AI?



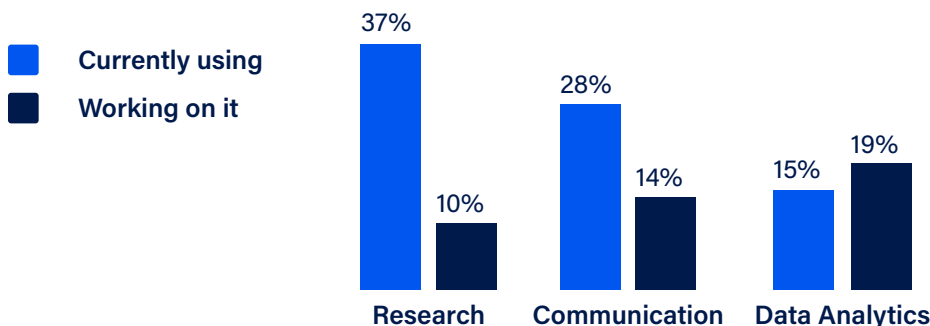
“ The biggest impact for me by far is AI. It sparks ideas [and] has made me aware of technology choices that make sense for a solo practice like mine.

## AI in Action

When asked how AI has been implemented, the profession's cautious approach becomes even more apparent. Among firms that have ventured into AI, the applications remain primarily focused on lower-risk, administrative tasks.

Research tops the list, with 37% of firms using AI for tax and compliance topics, with another 10% working on implementation. Communication follows as 28% are currently using AI for drafting emails, summarizing conversations, and creating marketing content—areas where errors carry minimal professional liability. The most sophisticated application, advanced data analytics to improve client services and inform strategic decisions, sees the lowest adoption at just 15%, though 19% are actively developing these capabilities.

## How is your firm using AI?



This adoption pattern reveals firms are in an exploratory phase with AI, suggesting a clear opportunity for targeted education and implementation strategies that can help them move from experimentation to systematic automation.

### Technology Adoption Snapshot

While 87% of all firms believe technology positively impacts efficiency and 73% see benefits for client service, adoption patterns show both progress and opportunity.

Cloud migration has become the foundation of modern practice management, with 88% of all firms using secure portals for document delivery and 84% supporting remote workers. However, full digital transformation remains incomplete—only 37% operate entirely paperless, and just 62% access their data through centralized online portals.

The top two stages of development (Stages 4 and 5) show universal adoption of key capabilities. All of the respondents in this camp (100%) use secure portals for sensitive document delivery and have the ability to support remote workers. In comparison, 97% can immediately grant or restrict user access—a critical tool for protecting sensitive data in real time.


Does your firm...	Stage 1	Stage 2	Stage 3	Stages 4 and 5	Total
Use a secure portal to deliver/receive sensitive documents	64%	95%	99%	100%	86%
Have the ability to grant/restrict immediate user access	63%	94%	97%	97%	84%
Have the ability to support remote workers	63%	87%	99%	100%	83%
Access the majority of your data/apps through one website or online portal	33%	67%	81%	89%	61%
Use artificial intelligence (AI) in any capacity	31%	52%	70%	71%	51%
Allow access to multiple applications through single sign-on (SSO)	22%	55%	73%	83%	51%
Only deliver/receive digital documents (i.e., paperless)	27%	41%	40%	51%	37%

The data suggests that accounting firms are strategically building their technology infrastructure, prioritizing security features, remote capabilities, and operational efficiency, while cautiously approaching more transformative technologies like AI. As the profession evolves, firms that balance innovation with practical implementation will likely lead the next wave of industry advancement.

## 04. Key Assessment #2: IT Administration and Security

As accounting firms handle increasingly sensitive client data from tax returns to confidential business information, proper data protection has become critical for success. Most firms lack the specialized expertise needed to manage complex cybersecurity threats and compliance requirements on their own, making the decision to rely on internal resources or partner with external IT and security experts a defining factor in a firm's modernization and development.


The survey data provides a clear picture of how accounting firms approach IT and security, particularly their willingness to invest in professional expertise and security solutions. This provides valuable insight into their development stage in an increasingly digital and high-risk business environment.

 *[My firm's technology has] totally changed as I needed cybersecurity after I got hacked five years ago.*

### Firm Maturity Reshapes IT Management Strategy

Firms residing in the first stage of development rely heavily on in-house IT management, with 50% choosing this approach exclusively. As firms advance into later stages of development, exclusively in-house IT management drops dramatically to essentially zero, likely reflecting an increased complexity that requires external expertise. One respondent stated, "Running the business and taking care of clients is two full-time jobs. We don't have time for a third full-time job with tech. We need it done for us reliably and efficiently."

A hybrid form of IT management emerged as the most popular choice across all respondents (44%), especially among the top two stages of development. A large majority of firms (74%) at Stage 4 and Stage 5 use a combination of internal and external resources for IT management—a sign that many firms recognize the value of balancing internal capabilities with specialized external support.

 **74% of firms in the top two development stages employ both in-house and outsourced IT management.**

## How is IT managed in your firm (e.g., application software, network, security, hardware, etc.)?

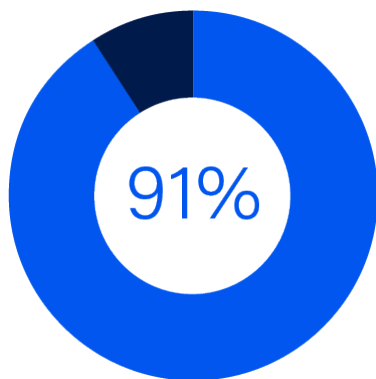
	Stage 1	Stage 2	Stage 3	Stage 4 and 5	Total
Completely in-house	50%	25%	7%	0%	27%
Completely outsourced to an outside firm/consultant	24%	29%	34%	26%	29%
Both in-house and outsourced to an outside firm/consultant	25%	46%	59%	74%	44%

### Security Measures Show Mixed Adoption

As accounting firms handle copious amounts of sensitive client information, proper data protection has become critical for success. However, the survey data reveals mixed adoption of security measures across the profession, with firms showing strong implementation of fundamental protections while significant gaps remain in advanced capabilities.



97% of firms have internet connection and network safeguards (e.g., firewalls, VPN, antivirus software).

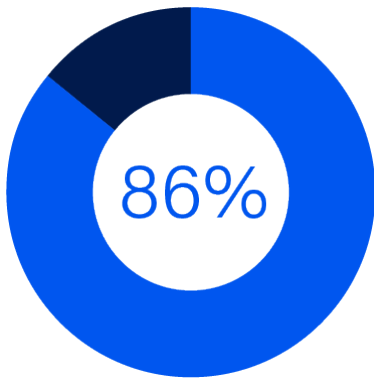


91% provide layered security on firm devices, such as multifactor authentication.

### Network Protections and Layered Device Security

Accounting firms have widely adopted two fundamental security measures. Internet connection and network safeguards lead adoption rates at 97%, indicating nearly universal recognition of basic network security needs.

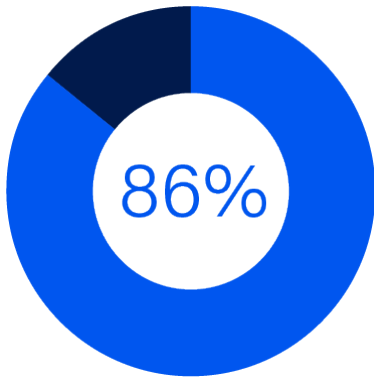
Although 91% of firms say they provide extra layers of security on firm devices, such as multifactor authentication, among those 448 firms, only 39% have Endpoint Detection and Response (EDR) on all devices, and only 18% are working to implement it. While firms may feel protected by entry-level measures, they are still vulnerable to sophisticated attacks that bypass perimeter defenses.



86% back up firm data regularly, beyond what software vendors provide.

### Data Backups

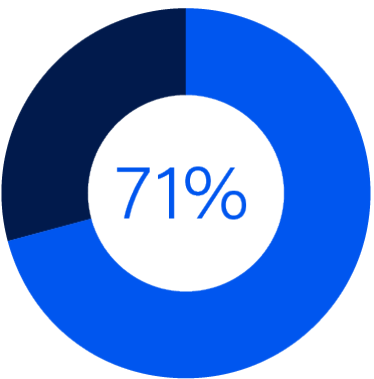
The survey found that 86% of accounting firms have data backup solutions beyond their standard software provisions, and the majority of them (82%) maintain backups for at least two years. Although this is a strong adoption rate, it reveals that 14% of firms are relying solely on basic software backup capabilities. This is surprising given the critical nature of financial data and the regulatory requirements for accounting firms to retain client records for extended periods.



86% use advanced email security (e.g., block spam, phishing attempts, risky attachments).

### Email Security and Threat Detection

Eighty-six percent of firms employ email security measures, suggesting heightened awareness of email-based threats. This awareness extends to broader threat monitoring, with a strong majority (79%) receiving alerts about failed logins, unusual activity, and data breaches, all critical capabilities for detecting risks that could severely impact operations.

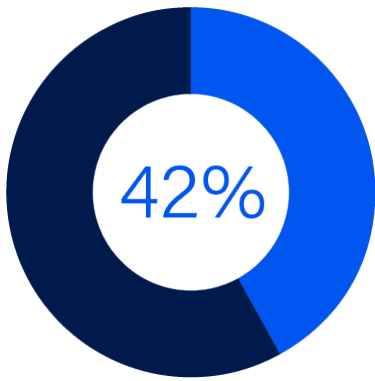


71% provide cybersecurity awareness training to all staff.

### Cybersecurity Training

Crucial for reducing employee-related risks, cybersecurity training is implemented company-wide by 71% of firms, yet of those 349 firms, only 66% report conducting it regularly. Although the majority of firms report that the training is accounting-profession specific, less than half are structured and instructor-led, and just 59% include phishing simulations to test employee awareness and response to potential threats.

Given that human error remains one of the leading causes of security breaches, enhancing training comprehensiveness and consistency presents an opportunity for firms to strengthen their security posture through relatively cost-effective measures.



42% of firms can remotely manage or wipe mobile devices if they're lost or stolen.

### Mobile Device Management

Mobile device management represents the most significant gap in security coverage, with only 42% of firms providing capabilities to remotely manage or wipe devices if lost or stolen. This gap is particularly concerning given the increasing use of mobile devices for business operations and the sensitive nature of accounting data.


### Security Adoption by Firm Size

While cyber risks are universal, the resources to address them are not, particularly for small firms. Smaller firms show strong adoption of fundamental protections, with 96% implementing network safeguards and 87% providing device-level security measures. Yet, the research shows smaller firms consistently lag behind their larger counterparts across nearly all security measures, with the most pronounced gaps in mobile device management (33% vs. 67% for large firms) and cybersecurity training (66% vs. 85% for large firms).

“ *Small firms are at the same risk as larger firms, but we cannot afford the higher fees to keep data secure like large firms can.* ”

## 05. Key Assessment #3: Firm Management

Running a successful accounting firm requires more than just technology know-how and security measures. It demands strong business management. How firms handle their day-to-day operations, identify their ideal clients, and implement strategic planning directly impacts their development and profitability. Because management is so crucial to firm success, it is one of the most significant categories in The 5 Stages of Modern Firm Development. The analysis reveals how accounting firms are doing in three key management areas, highlighting both encouraging progress where regulations require action and glaring gaps in areas of strategic planning.

 80% of Stage 4 and 5 firms are working to grow.

## Three Key Areas of Firm Management

### 1. Standardized Business Operations

Firms demonstrate their strongest management performance in areas where regulatory compliance is mandatory, leaving little room for discretionary implementation. Since 92% of respondents provide tax preparation services and are required by law to have a Written Information Security Plan (WISP), it's no surprise that an overwhelming majority (81%) maintain one.

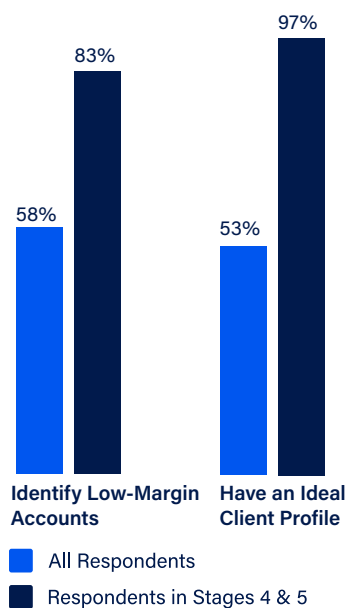


**74% of firms with a WISP conduct annual reviews to account for new technology or process changes.**

Among firms with a WISP, 88% say it clearly outlines how they protect data for both internal operations and client information, and 74% proactively conduct annual reviews to keep up with new technology and process changes. These strong numbers demonstrate that firms are committed to meeting compliance requirements and protecting sensitive information.

Participation falls sharply as firms move from mandatory compliance requirements to optional efficiency improvements. While 64% accept the majority of client payments electronically, only 48% employ automated tools for client billing and collections. Most notably, only 31% require clients to use consistent apps or systems, missing an opportunity to improve efficiency and collaboration.

These findings present a contradiction as the general sentiment of firms highlights the importance of operational efficiency, with one respondent stating, "Efficiency is the most important thing. Every smaller accounting firm is short on professional staff, so every process has to be maximally efficient to use staff time the best way possible."



## 2. Strategic Client Management

Client management practices show fairly even implementation across all respondents. Fifty-eight percent of firms review client profitability to identify low-margin accounts, while 53% maintain ideal client profiles to guide new business decisions. The slightly higher focus on analyzing existing clients compared to defining acquisition criteria suggests varying approaches to client portfolio management.

Firms further along in development tell a different story. The study found that 83% of firms in Stage 4 and Stage 5 review client profitability to identify low-margin accounts, and 97% have an ideal client profile. This is an effective combination. Firms with strong profitability analysis, as well as strategic client acquisition criteria, are likely to outperform competitors who operate without clear client selection frameworks.

## 3. Planning and Future-Readiness



**31%** follow documented marketing plans or strategies.

**29%** maintain documented strategic growth plans.

**27%** have succession plans in place.

The data reveals notable differences in strategic planning compared to other areas of the business. While firms demonstrate strong performance in compliance-driven functions, strategic planning shows lower implementation rates, suggesting varying approaches to long-term business development across the profession.

These numbers reveal that most firms operate without formal planning structures. Seven out of 10 firms lack documented growth plans, so many are making business decisions without a clear long-term direction. The majority of firms (69%) don't follow documented marketing plans, suggesting they may not see the need for formal marketing or have sufficient work for their current capacity. Additionally, nearly three-quarters of firms operate without succession plans, which can create challenges when key partners transition out of the business.

These statistics indicate that most firms prioritize immediate operational needs over longer-term strategic planning. This approach can make it more challenging to navigate significant changes like economic shifts, technology advances, or partner transitions, potentially limiting a firm's ability to adapt, develop, and modernize.

The path forward requires balanced investment across all three key areas of firm management, with particular emphasis on closing the strategic planning gap that currently hinders the majority of firms from moving up in the stages of development.

# 06. The Modernization-Growth Dynamic: Which Comes First?

The relationship between development stage and firm size presents a classic chicken-or-egg scenario. The data suggests that growth may be the primary catalyst for modernization rather than the result of it. Small firms show a stark concentration in early development stages, with 52% remaining in the first stage compared to only 8% of large firms. Conversely, large firms dominate advanced stages, with 49% reaching the third stage versus just 16% of small firms.

## The 5 Stages of Modern Firm Development by Firm Size

	Small Firms	Mid-sized Firms	Large Firms
Stage 5: Future Proof	0%	1%	1%
Stage 4: Advancing	2%	9%	13%
Stage 3: Optimizing	16%	31%	49%
Stage 2: Emerging	30%	38%	29%
Stage 1: Pathfinding	52%	21%	8%

This pattern could indicate that as firms grow, they encounter operational pressures that necessitate modernization. Larger client bases, increased complexity, and resource demands create unavoidable friction points that force technological and operational evolution. The question becomes whether firms can proactively modernize to facilitate growth, or whether they must wait for growth to justify the investment.

# 07. Conclusion

Today's accounting firms handle technology, security, and management operations in dramatically different ways. This study examined the key factors driving these differences, the priorities behind implementation efforts, and the challenges firms face when balancing client needs, cost pressures, and operational efficiency. The findings reveal distinct patterns in how firms progress through modernization stages and the forces that drive their development.

## Investment Priorities and Potential Gaps

While some firms have made significant investments to advance, others maintain traditional methods, creating a diverse landscape of operations across the profession. Additional data was collected to identify where firms plan to prioritize their efforts on new initiatives that have not yet been implemented. Their responses reveal clear priorities in the areas of succession planning and paperless delivery, followed closely by artificial intelligence (AI) adoption. However, firms showed considerably less enthusiasm for other business operations. Most firms lacking standardized systems indicate no future plans for implementation, and many disclose that they have no intent to document formal marketing strategies or strategic growth plans.

### Top Priorities

1. Succession plans
2. Paperless/digital document delivery
3. Artificial intelligence (AI)

### No Plans to Implement

1. Require clients to use standardized systems
2. Marketing plan/strategy
3. Strategic growth plan

## Balancing Client Needs and Rising Costs

Two fundamental pressures were brought to light through survey responses. Rising technology expenses that strain budgets and diverse client demographics with varying comfort levels for digital processes.

**The Cost Challenge:** Small firms report significant pressure from software expenses.

- “Software costs have increased significantly and are beginning to impact profitability.”
- “Small town CPA firms are like farmers. We use what we have until it doesn’t work anymore.”

**Recommendation:** Work with providers offering complete technology packages to gain cost savings and operational benefits, rather than buying individual software and creating disparate systems.

**The Client Challenge:** Firms that serve older clients prefer traditional methods.

- “My older clients want their tax returns on printed paper.”
- “Much of our client base is elderly, legacy clients reluctant to adapt.”

**Recommendation:** While adapting to client preferences demonstrates excellent client service, it can sometimes limit operational efficiencies and growth potential. Moving forward, consider implementing ideal client standards for newly acquired clients while maintaining flexibility for existing relationships. Also, investing in technology to improve efficiencies and implementing it as a standardized practice will generate the most impactful return on investment.

## The Modern Firm Advantage

The data from the 2025 technology survey reveals a compelling truth: **The most modern firms report 23% more revenue per employee**, even while maintaining a strikingly similar technology investment—an average of 6% of revenue across all firm sizes and development stages.

As captured in The 5 Stages of Modern Firm Development, the path forward first requires an honest assessment of current capabilities, then:

- ✓ A clear path to improve technology and workflows
- ✓ A strong focus on IT management and security infrastructure
- ✓ A solid strategy for firm management

Success in modernization isn't about spending more on technology—it's about strategic implementation that drives measurable results. As the data demonstrates, firms that thoughtfully progress through each development stage create sustainable competitive advantages while building the operational foundation necessary for long-term growth and profitability.

The graphic is a dark blue background with white and light blue text and icons. It features the Rightworks logo in the top left, a title 'The Modern Firm Assessment', and a large question 'How modern is your accounting firm?'. Below this is a call to action 'Start your assessment here'. On the right, five stages are listed in a vertical column, each with a unique icon and a percentage range.

Stage	Stage Name	Description	Percentage Range
1	Pathfinding	Building the Foundation	0%-49%
2	Emerging	Gaining Momentum	50%-64%
3	Optimizing	Streamlining Operations	65%-79%
4	Advancing	Maximizing Performance	80%-94%
5	Future Proof		

This research was conducted by Rightworks, a cloud technology provider trusted by over 10,000 clients, from solo practitioners to Top 10 firms. Visit [rightworks.com](https://rightworks.com) to discover how your firm can scale The 5 Stages of Modern Firm Development.