



2022 State of client engagement in the US

The attitudes and behaviours of accountants and bookkeepers when navigating awkward client conversations

ignition 

Summary of insights **US**
August 2022

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Foreword

Guy Pearson, co-founder and CEO at Ignition

As an accountant, I had my fair share of awkward client moments. Like the time I sent a proposal to a client who went MIA. Or, when I had to tell my clients some uncomfortable truths about their business and then bill them for it. Yes, things got awkward real quick.

From speaking to former peers, colleagues and customers now, what I've found is that these awkward client situations, and the awkward client conversations that invariably follow, are all too common in the professional services industry. Thinking back to my early days as an accountant, I believe it all starts from a mismatch of expectations and lack of clear communication.

As an accountant or anyone in the professional services world, you're selling your time and experience. Your value is intrinsically tied to the price you put on your services. If you don't communicate this early, price it correctly or set clear boundaries about what you can or can't do, it can lead to confusion and awkwardness later on with clients, when they ask you to do this 'one thing'.

As psychologist **Bethany Teachman** aptly puts it, awkward situations boil down to an "incongruence" – a disagreement between two people on what's actually happening and what they each think should happen. So, what do we do when awkward situations inevitably arise? For many accountants and bookkeepers the fear of losing a client is often stronger than the will to confront or negotiate with a client. In fact, to avoid awkward conversations with clients around changes in scope, over two in five accountants told us in our research that they end up just absorbing the increased cost and time themselves.

When these awkward client situations arise, the fight or flight response kicks in, according to the experts. A study by psychologist **Joshua W Clegg** tested participants against 16 socially awkward situations and found a clear pattern of behaviour: participants felt an overwhelming imperative to transform the awkward situation by either addressing it or avoiding it completely. Those who addressed the awkwardness were able to establish a 'sense of social harmony' and connection with others. Those who avoided it? They magnified and extended the negative impacts of the awkwardness.

Our research reveals a similar trend. Almost every accountant and bookkeeper we interviewed said they had delayed or avoided having an awkward conversation with a client. Of those who did, a significant majority also admitted that it had negative consequences on their client relationships. In fact, staying silent comes at a huge financial and human cost for firms and their people.

While life is full of awkward moments, the client relationship doesn't have to be. Many firms today are still holding on to manual processes, disjointed business systems and mindsets of 'it's always been done this way'. This can lead to business complexity, ambiguity and a lack of transparency with clients.

Our research shows that clarity and confidence is critical for the health of the client relationship, firm and its people. When businesses sell their services in a way that is clear and make it easy for clients to know exactly what they're buying, both the accountant and client feel confident about doing business together. With the right tools, accountants and bookkeepers can get on the same page as their clients right from the start and face these awkward client situations head-on, to spark lasting client relationships.



Executive summary

Awkward client conversations are the mainstay of the professional services industry. Accountants and bookkeepers across the United States, Australia and the United Kingdom say that they encounter awkward client situations every single week. So what awkward moments are we talking about?

For 94 percent of accountants and bookkeepers, chasing clients for late payments is the most common awkward client situation that they encounter almost once a week on average. This is closely followed by clients not being billed for out of scope work, with 90 percent of accountants and bookkeepers encountering this.

Many accounting and bookkeeping firms in the United States are starting out on the wrong foot with clients, with one in five sending clients proposals or engagement letters manually with errors every two to three weeks.

In the professional services world, awkward client situations will invariably pop up. But many accountants and bookkeepers in the US choose to shy away from these sensitive situations. In the US, 89 percent of accountants and bookkeepers say they have delayed or avoided having an awkward conversation with a client, with two thirds saying they were trying to maintain or improve the client relationship. A third of accountants and bookkeepers admit a key barrier to having these awkward conversations with clients is lacking the confidence to confront clients, as well as the right information about the agreed scope of work and the skills to negotiate with their clients.

In some cases, accountants and bookkeepers are avoiding awkward client situations at all costs, with nearly two in five going as far as to write off an entire or part of an invoice for work completed. The same number also admit they manage increases in scope by just absorbing the increased time and costs themselves.

By putting off awkward and uncomfortable conversations with clients, accountants and bookkeepers are trading short-term comfort for the long-term health of their teams and firms. It has significant financial implications for the business, particularly in a high inflationary environment. On average, accountants and bookkeepers estimate that out-of-scope work that hasn't been fully billed is costing their business \$6,386 each month. That's \$76,636 accounting and bookkeeping firms could be losing out on each year.

Of accountants and bookkeepers who have avoided or delayed awkward client conversations two in five say consequences include loss of potential income for the business, with 35 percent citing cash flow pressures. Regrettably, one in five say they had to close or shut down part of their business due to profitability issues.

It has also taken a huge toll on people's health and wellbeing. Of those who have put off awkward client conversations, 40 percent say it has had a negative impact not only on their mental health, but also on that of their team members. More than two in five say it has led to staff overworking and low morale.

Even more concerning, around a third of accountants report that staff have taken sick leave or time away from work and three in 10 even gone as far as to resign, due to the increased workload and levels of stress.

This study reveals that avoiding or delaying awkward client conversations comes at a huge financial and human cost, for firms and their people in the professional services industry. By embracing new ways of working and technology, accountants and bookkeepers can automate and transform how they run their business and engage clients to put an end to the awkward conversations.



Research methodology

Survey

A 21 question online study was conducted by YouGov online on behalf of Ignition.

Sample

The research comprised of a national sample of 506 key decision makers in accounting and bookkeeping firms with 1-50 employees in the US.

Following the completion of interviewing, the data was weighted to ensure it is representative of the broader population of accountants and bookkeepers from firms of this size.

For the purposes of this study, we limited the sample to key decision makers including practice owners, partners, directors, practice managers and senior client managers.

Research objective

This study had two aims:

To explore the types of awkward client situations that can arise in the accounting and bookkeeping industry.

To understand and quantify the financial and human cost of avoiding or delaying awkward client conversations.

Fieldwork

This study was conducted from July 14 to 27, 2022.





Demographic composition of the sample

Company age	US
Less than 5 years	31%
5 years to less than 10 years	33%
10 years or more	35%
Unweighted N	505

Annual company revenue	US
Up to \$249,999	24%
\$250,000 to \$999,999	27%
\$1 million to \$2.9 million	30%
\$3 million or more	19%
Unweighted N	506

Business size	US
Up to 4 employees	27%
5-19 employees	37%
20-50 employees	36%
Unweighted N	506

Age	US
18-39 (Gen Z/Millennials)	41%
40-54 (Gen X)	47%
55+ (Baby Boomers/Silent Gen)	13%
Unweighted N	505

Managerial responsibility	US
Owner/shareholder board member/equity partner/director	46%
Non equity partner/director/board member	7%
Practice Manager	12%
Senior manager/client manager	34%
Unweighted N	506

Managerial responsibility					
Age	Owner/ shareholder board member/ equity partner/ director	Non equity partner/ director/ board member	Practice Manager	Senior manager/ client manager	All
18-24	2%	3%	10%	2%	3%
25-39	30%	42%	56%	41%	38%
40-54	47%	50%	29%	52%	46%
55-69	15%	6%	5%	5%	10%
70+ years	6%	0%	0%	0%	3%
Prefer not to say	0%	0%	2%	0%	0%
Unweighted N	233	36	63	174	506

Highlights

\$76,636

is what accounting and bookkeeping firms are **losing out on each year, on average**, in unrecovered out-of-scope work

94%

of accountants and bookkeepers said they need to chase clients for late payments

89%

of accountants and bookkeepers said they have delayed or avoided having an awkward conversation with a client

43%

of accountants and bookkeepers who experience increases in the scope of client work say the end up absorbing the increased time and costs themselves

30%

of accountants and bookkeepers who have avoided or delayed an awkward conversation said staff have quit as a consequence

43%

of accountants and bookkeepers said the quality of their work has suffered and 44% that staff are overworked as a result of delaying or avoiding having an awkward conversation with a client

Awkward client situations
are a mainstay in the
professional services industry



Chasing for late payments is the most awkward for accountants

If you work in the professional services industry, chances are you've encountered an awkward client situation at some stage.

Four in five accountants and bookkeepers agree that chasing clients for late payments is awkward. Other awkward situations they face include advising clients that the work they've requested is out of scope (74%) and sending client proposals with errors (67%).

When these awkward clients situations arise, the fight or flight instincts kick in, with many accountants and bookkeepers opting to avoid or delay awkward conversations with clients that invariably follow. However, this can often backfire, with two thirds saying that staying silent has impacted their client relationships.

How accountants and bookkeepers feel about their business interactions with clients

80% Chasing clients for late payments is awkward

74% Advising clients that the work they have requested is out of the agreed scope of the engagement can be awkward

70% I worry that my staff are overworked due to the regular increases in the scope of work we haven't agreed or quoted for with clients

67% Delaying or avoiding awkward conversations has impacted our client relationships

67% Errors in proposals sent manually have led to awkward conversations with clients in the past



Late payments is the most common awkward client situation

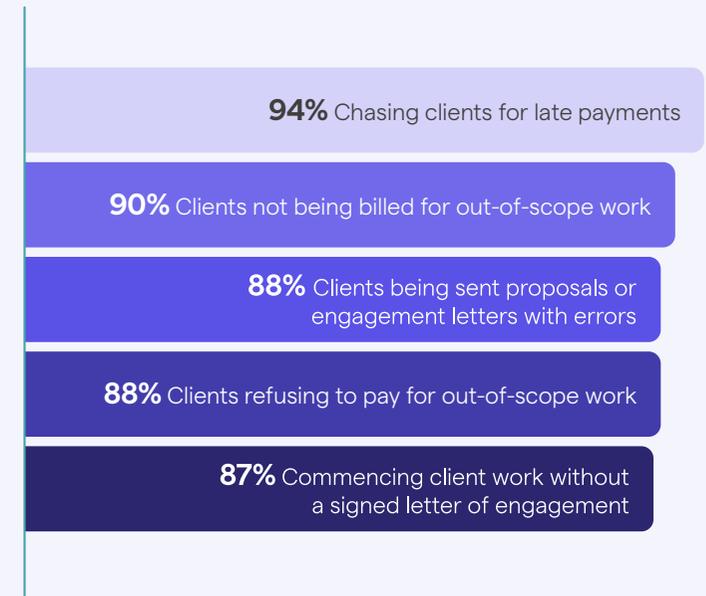
In the US, the most common awkward situation is chasing clients for late payments (94%) and clients not being billed for out-of-scope work (90%), with accountants and bookkeepers encountering these awkward client situations almost once a week on average.

On average, two in five accountants and bookkeepers encounter awkward client situations **several times a month** in their practice. Many accounting and bookkeeping firms risk starting out on the wrong foot with clients, with two in five sending clients proposals or engagement letters with errors every 2-3 weeks or more often.

The awkward client situations accountants and bookkeepers encounter multiple times in a month

- 43%** Clients being sent proposals or engagement letters with errors
- 43%** Clients not being billed for out-of-scope work
- 42%** Chasing clients for late payments
- 41%** Commencing client work without a signed letter of engagement
- 38%** Clients refusing to pay for out-of-scope work

% who experience potentially awkward client situations



Base: All qualifying respondents, N=506
Q9: Thinking about interactions with clients, how often do you encounter the following potentially awkward client situations in your practice? Please select one option per column

Avoiding or delaying awkward conversations is the norm

In the professional services world, awkward client situations will pop up. But many accountants and bookkeepers shy away from these sensitive situations.

In the US, 89% of accountants and bookkeepers said they have delayed or avoided having an awkward conversation with a client.

According to 67% of accountants and bookkeepers, trying to maintain or improve the client relationship is the main reason for delaying or avoiding having an awkward conversation with a client. More than a third have put off these conversations to try and grow the business (38%) and avoid client churn and attrition (35%).

More than 2 in 5 (42%) of accountants working at larger firms (20-50 employees) have delayed or avoided an awkward conversation because they were trying to win the client's business. This is a stark comparison to 28% of mid-sized firms (5-19 employees) and 15% of smaller firms (up to 4 employees).

Reasons for delaying or avoiding having awkward conversations with clients



41% of new firms (less than five years) and 42% of mid-aged firms (5-10 years) delayed or avoided an awkward conversation with a client to avoid client churn and attrition compared to 24% of older firms (10+ years).

Base: All qualifying respondents, US: N=506
 Q12: For which of the following reasons have you or your staff ever delayed or avoided having an awkward conversation with a client? Please select all that apply

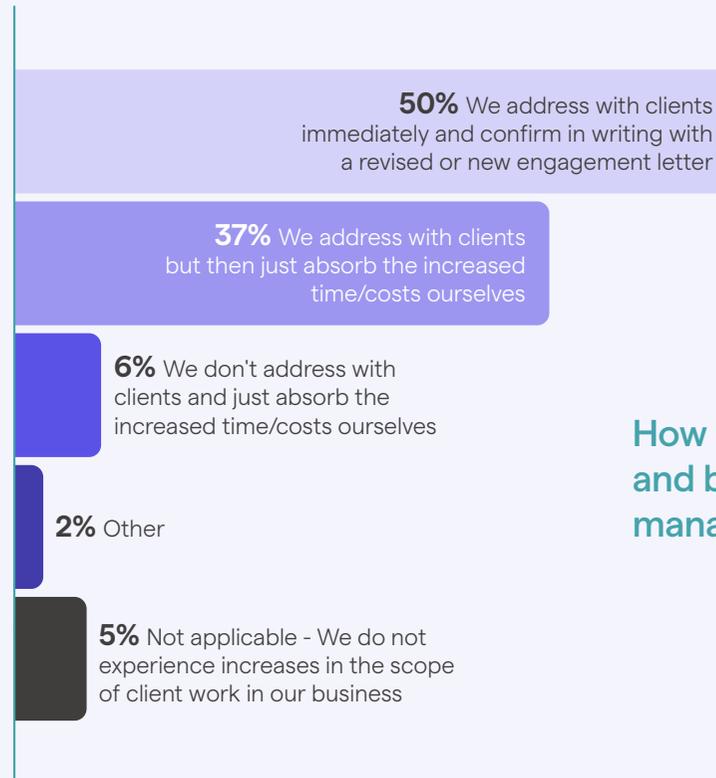
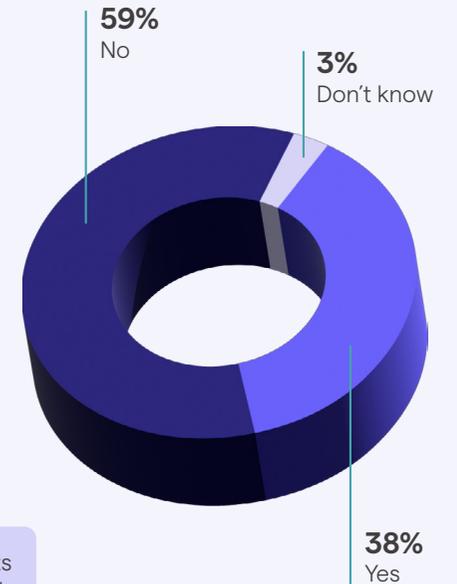
Avoiding awkward client conversations at **all costs**

For many accountants and bookkeepers, the fear of losing a client is often stronger than the desire to confront a client or negotiate the terms of a fixed fee pricing agreement.

In fact, nearly 2 in 5 accountants and bookkeepers have gone so far as to write off all or part of an invoice to avoid having an awkward conversation with a client. One in two accountants and bookkeepers working at newer companies (operating for less than five years) and larger businesses (20-50 employees) have written off an invoice, reporting 50% and 52% respectively.

The majority (95%) accountants and bookkeepers in the US report that they've experienced increases in the scope of their client work in their business. However, over 2 in 5 accountants and bookkeepers (43%) say they end up just absorbing the increased time and costs themselves. Of those in new firms (less than five years) 46% are more likely to address with clients but then absorb the increased time and costs themselves, compared to 27% of older firms (10+ years).

Whether a firm has written off an invoice to avoid an awkward conversation



How accountants and bookkeepers manage scope creep

Base: All qualifying respondents, US: N=506
 Q8: Has your business written off part or all of an invoice in the past 12 months to avoid having an awkward/uncomfortable conversation with a client? Please select the option that best applies
 Q14: How do you typically manage increases in the scope of client work in your business? Please select the option that best applies

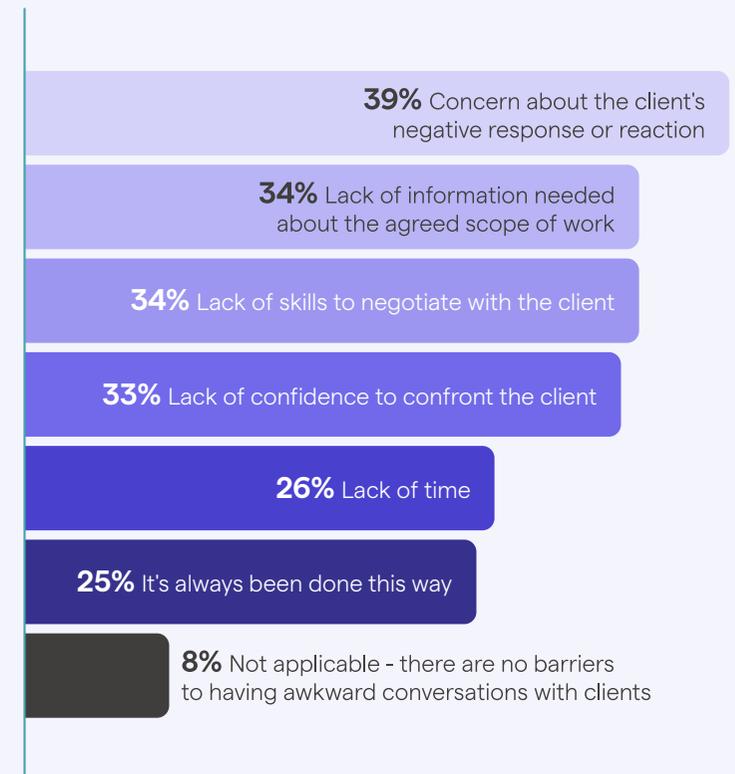
Accountants worry about their clients' negative reactions

In many accounting and bookkeeping firms, a culture of 'yes man' is often at the core. It can be hard to say no to clients when trying to win their business or when working with new clients. However, not setting clear guardrails or placing an appropriate value on their time can lead to stickier situations for accountants.

Over nine in ten (92%) accountants and bookkeepers said they face barriers to having awkward conversations successfully with clients, with two in five (39%) citing concerns about the clients' negative response or reaction as the main barrier to having potentially awkward conversations with them.

This is followed by lack of information needed on the agreed scope of work (34%), lack of skills to negotiate with the client (34%) and lack of confidence to confront the client (33%). Interestingly, 42% of those in larger firms (20-50 employees) **cited lack of confidence to confront the client as a top barrier**, compared to 19% in small firms (up to four employees).

Main barriers to having conversations about awkward situations with clients



Base: All qualifying respondents, N=506
 Q11: What are the main barriers to having conversations with your clients about these awkward situations? Please select all that apply

Client relationships and firm health a top concern for accounting firms

When drilling into the awkward situations that come up in the client engagement experience, around two in four accountants and bookkeepers are most concerned about the impact to their client relationship (44%) and the impact to their business's financial health (40%). This is closely followed by losing their clients' business (39%).

Interestingly, one third of accountants and bookkeepers at larger firms (20-50 employees) cited concerns about the impact to their staff's mental health compared to those at smaller firms (up to four employees), reporting 33% and 13% respectively. Accountants and bookkeepers in Australia cited 'mental health' as a top three concern, compared to those in the US (36% compared to 26%).

Accounting professionals at newer firms (operating less than 5 years) are more likely to cite losing staff due to overworking as a concern compared to older firms (operating 10+ years), at 38% and 24% respectively. In the US, there is growing volatility and competitiveness in the jobs market, with accounting firms losing out on talent to other industries.

Top concerns about awkward client interactions



Base: All qualifying respondents, AU: N=557, US: N=506
 Q10: When thinking about these 'awkward situations' you or your staff can experience in your client interactions, what are your top concerns? Please select all that apply

The cost of delaying
or avoiding **awkward**
client situations



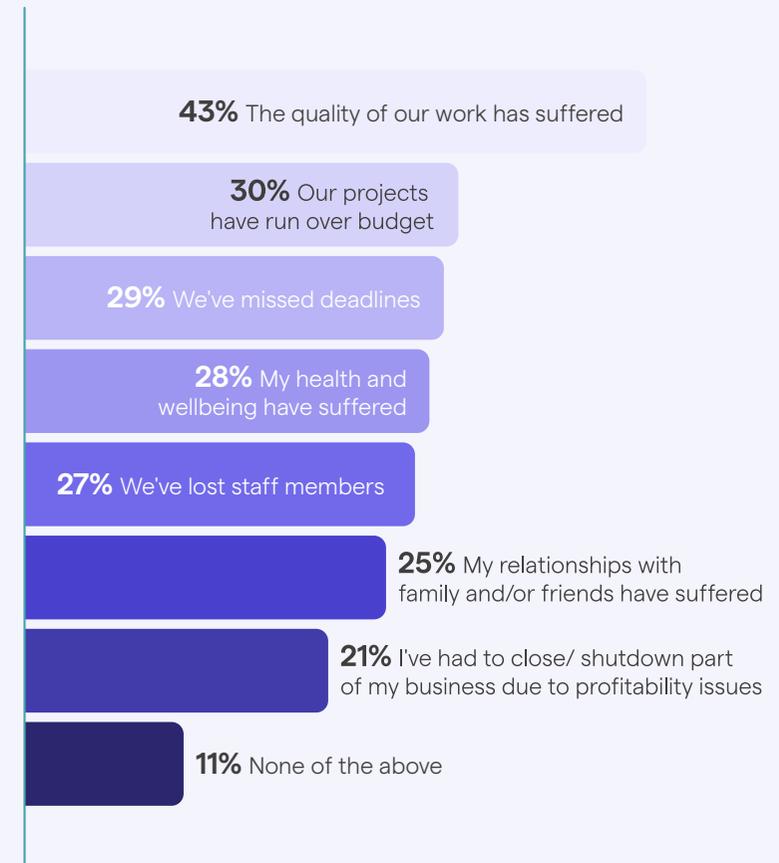
Accounting firms paying a heavy price for avoiding awkward conversations

Many accountants and bookkeepers avoid or delay awkward client conversations to protect their firm or client relationships, but it can in fact have the complete opposite effect. The consequences for the firm, and its people, are often detrimental.

Of those accounting and bookkeeping professionals who have avoided or delayed an awkward conversation with a client in the past 12 months, the top consequence was that the quality of their work had suffered (43%). Three in ten say their projects have run over budget and that they have missed project deadlines.

Beyond the business impact, more than a quarter of accountants and bookkeepers revealed that avoiding or delaying awkward client conversations had significant personal implications, with 28% reporting their health and wellbeing had suffered, along with their relationships with family and friends (25%).

Consequences of avoiding or delaying having awkward conversations with clients over the last 12 months



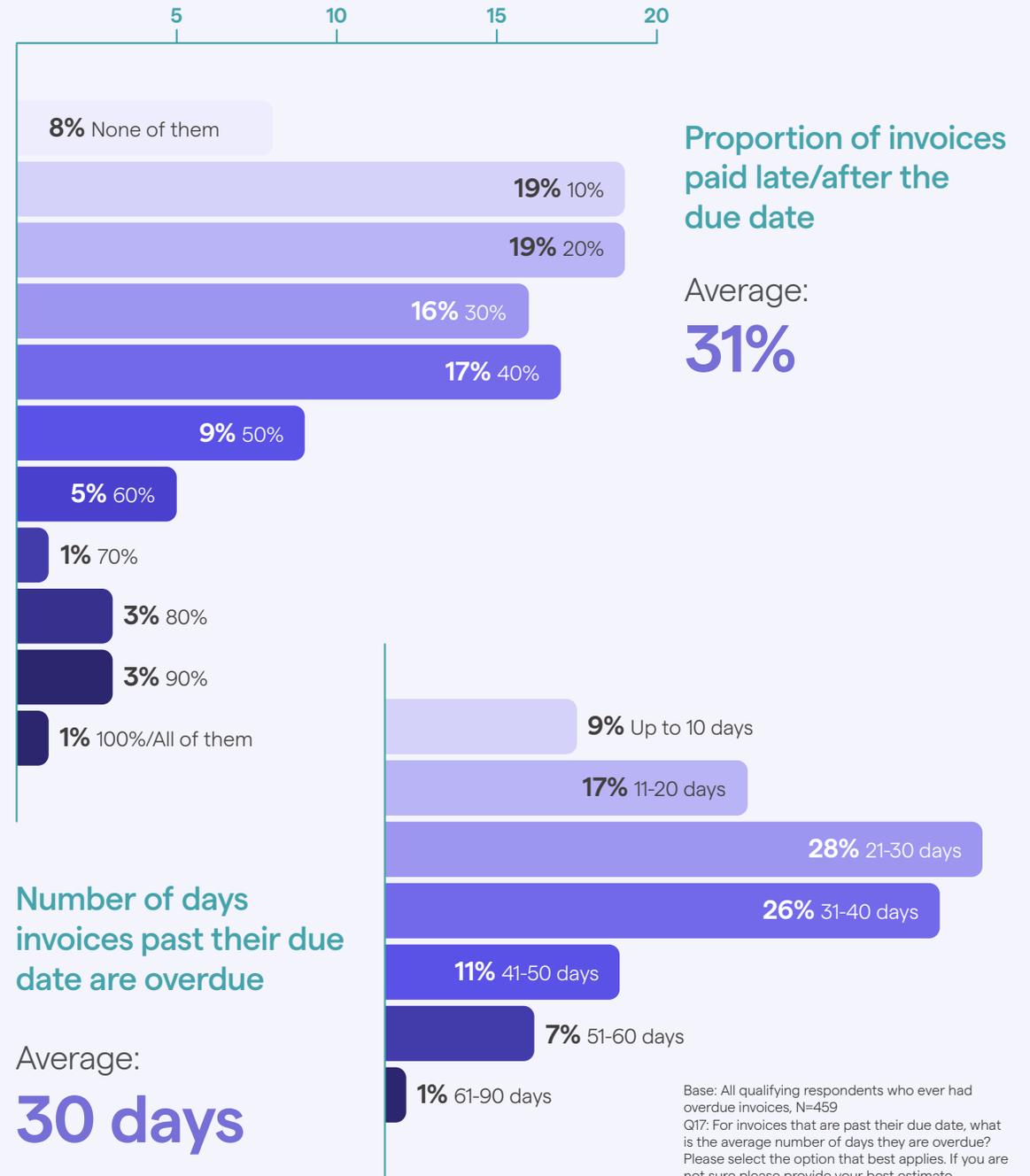
Base: All qualifying respondents who have delayed an awkward conversation with a client, US: N=462
 Q19: Which of the following has happened as a consequence of avoiding or delaying having these awkward conversations with clients over the last 12 months? Please select all that apply



Avoiding awkward conversations has led to tardy payment practices

Overdue invoices are endemic to accounting and bookkeeping firms. By avoiding or delaying awkward conversations, accountants and bookkeepers may not be enforcing 30-day payment terms with the clients and chasing overdue accounts, leading to tardy payment practices.

Nine in ten (92%) accountants and bookkeepers experience late payments, with client invoices **on average 30 days overdue**. According to accountants and bookkeepers, **on average 31% of invoices are paid late**.



Proportion of invoices paid late/after the due date

Average:
31%

Number of days invoices past their due date are overdue

Average:
30 days

Base: All qualifying respondents who ever had overdue invoices, N=459
Q17: For invoices that are past their due date, what is the average number of days they are overdue? Please select the option that best applies. If you are not sure please provide your best estimate
Q13: What proportion of your invoices would you estimate end up being paid late/after the due date? Please select the option that best applies. If you are not sure please provide your best estimate

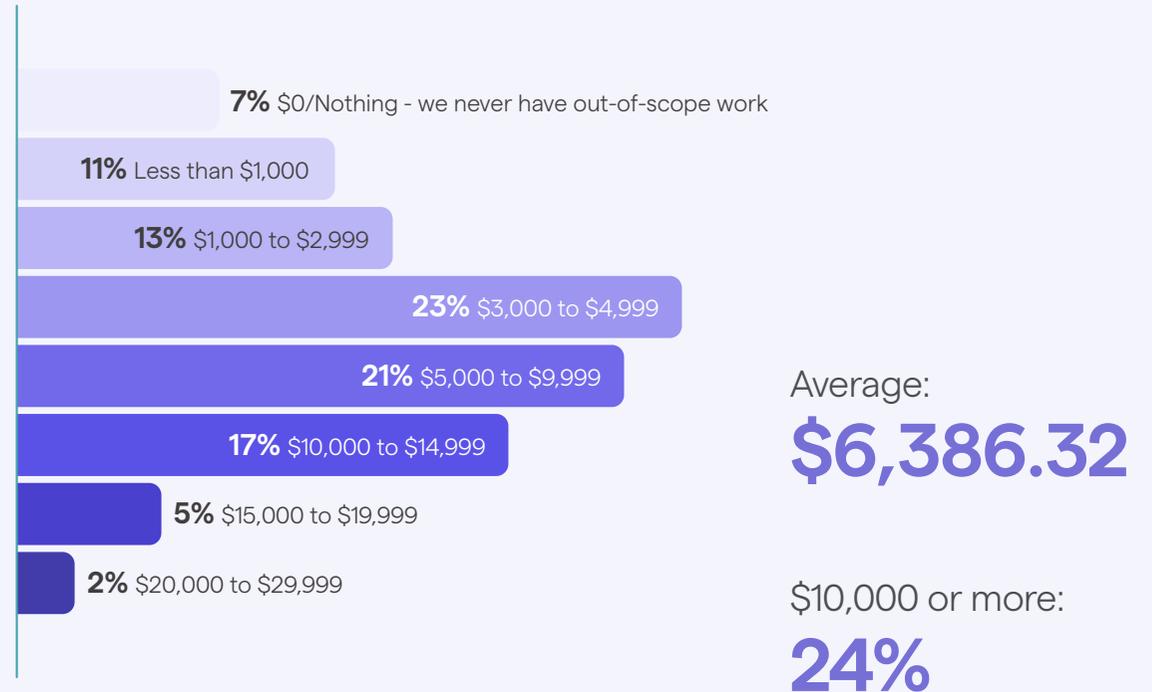


Unrecovered out-of-scope work costs firms over \$76,000 each year

For many firms, cash flow is king and a vital ingredient of business survival, particularly in a high inflationary environment. If accountants and bookkeepers don't set clear project guardrails and have awkward conversations with clients early about unplanned tasks, it can lead to revenue loss and potential cash flow issues.

On average, affected accountants and bookkeepers in the US estimate that out-of-scope work that has not been fully billed for is costing their business **\$6,386 each month**. That's **\$76,636** that accounting and bookkeeping firms could be losing out on each year, in a volatile business landscape.

Estimated cost per month for out-of-scope work that hasn't been fully billed



Base: All qualifying respondents who experience out-of-scope work, N=486

Q16: Overall, how much do you estimate that out-of-scope work that hasn't been fully billed for is costing your business each month? Please select the option that best applies. If you are not sure please provide your best estimate

Avoiding awkward conversations has led to churn and burn in firms

Of those accountants and bookkeepers who have avoided or delayed an awkward conversation with a client, nine in ten (90%) say there has been a human cost. Two in five report that staff are overworked (44%) and that there is low morale among staff members (43%) from avoiding or delaying awkward client conversations.

At the same time, around a third say that staff have taken sick leave or time away from work (32%) while a similar proportion say staff have ended up quitting (30%). Poor mental health can be devastating to workplace morale, productivity and the bottom line.

Interestingly, 43% of accountants in the US said it contributed to low morale compared to their Australian and UK counterparts, reporting 35% and 30% respectively.

Impacts on staff from avoiding or delaying having awkward conversations with clients



Base: All qualifying respondents who have delayed an awkward conversation with a client, AU: N=518, UK: N=365, US: N=462
 Q18: Which of the following impacts on staff has your business experienced as a consequence of avoiding or delaying having these awkward conversations with clients? Please select all that apply

Avoiding awkward conversations is taking a toll on mental health

As a result of avoiding or delaying awkward client conversations, many accountants and bookkeepers report it has contributed to poorer work-life balance, high levels of stress and even burnout in the workplace. Two in five (40%) said it has had a negative impact on their mental health and other staffs' mental health in the practice.

In addition, 41 percent report that consequences have included loss of potential income for the business and cash flow pressures (35%).

Accountants and bookkeepers in larger companies (20-50 employees) who have delayed or avoided an awkward conversation with a client are more than twice as likely to say they experienced staff leaving due to the workload, compared to those within small companies (up to four employees), reporting 32% and 15% respectively.



Results of delaying or avoiding awkward conversations with clients

Those within larger firms (20-50 employees and 5-19 employees) who have delayed or avoided an awkward client conversation are more than twice as likely to say they have experienced staff leaving due to the workload (32%) than those within smaller firms (up to four employees), reporting 32%, 31% and 15%, respectively.

Top tips to navigate awkward client conversations

Awkward client situations occur when there is a lack of clarity between professional services businesses and their clients on the project objectives, scope and expected value and service. As this study reveals, when awkward client situations are not addressed early it can impact the client relationship, the quality of the work, lead to revenue loss and potential cash flow issues, and employee burnout.

It's crucial to be on the same page as clients right from the start, to minimise surprises and set the client and firm up for success.

- **Take the time to listen:** Invest the time upfront to understand and clearly scope your client's requirements
- **Anticipate change:** Make provisions for out of scope work to set expectations that it will incur additional costs
- **Start the relationship on the right footing:** Use industry vetted templates and ensure your client experience is engaging and professional right from the start
- **Set clear expectations:** Don't start work without a signed engagement so you and your clients are on the same page on the deliverables and value from day one
- **Communicate regularly:** Regularly review and address any changes in scope with the client early on
- **Automate processes:** Eliminate client friction by automating processes such as payment collection to minimize chances of late or non-payments

Next up? How US accounting firm Connected Accounting LLC navigates awkward conversations and transformed the way it does business with its clients.



Accounts receivable now a thing of the past with zero debtors

The challenge: client interactions becoming tension-based conversations

Marie Phillips, CPA, is a fan of efficient processes. When she founded Connected Accounting, she knew she wanted to do away with the bad processes she dealt with in previous roles. This included using Word documents and Excel spreadsheets to organise client communications and information. These inefficiencies were costing money.

“We were serving clients that we could not collect on. You have to write off time, because all of a sudden they’re arguing with every single line item. So, you end up wasting your time as a business owner justifying the work you’ve done six weeks ago that they’re just getting billed for,” says Marie.

Having to continually chase clients down for payments was not only costing Marie time and money, but straining her client relationships and leading to awkward conversations.

“The client gets more frustrated. Instead of remembering that time we saved them \$5,000 or stopped them overspending in a business area, clients only know you as that annoying phone call chasing up late payments. So when they see your name coming up on their cell, they don’t want to pick up.”

The solution: putting an end to awkward conversations with Ignition

Since implementing Ignition to engage clients and automate billing and payments when she launched the business in 2019, Marie has put an end to awkward conversations about getting paid. Today Marie has grown the business to 14 employees with no accounts receivable.

“We have zero accounts receivables, literally none. I used to have to go chase people – close to our annual calendar year end, I would have to call everyone and say, ‘you haven’t paid us.’”

“Now, we charge our clients the first of the month – it’s automatically withdrawn from their bank account or from their credit card account. If the payment doesn’t go through, we alert them. We don’t start the work until it does.”

“Using Ignition has probably saved me anywhere from 10 to 20 hours a month, not having to prepare engagement letters, track payments, call clients, review invoicing, approve invoicing. All of that is gone.”

“We don’t have to do any of it anymore. As a business owner, to me, that’s the most important thing – it saves me money to use Ignition because I’m not paying somebody else to do it.”

Using Ignition has probably saved me anywhere from 10 to 20 hours a month.”



**Marie Phillips, Founder & CEO,
Connected Accounting, United States**

Marie Phillips is a CPA and entrepreneur. With three master’s degrees in addition to her accounting credentials, Marie is never one to shy away from a learning curve — on the contrary, she is defined by her enthusiastic curiosity.

Marie founded Connected Accounting so she could innovate beyond the norms expected of a financial services firm. She wanted to create a firm where her passion for problem-solving, love for efficient processes, and sincere support for clients were built into the DNA of the business.



About Ignition: Ignition is the world's first client engagement and commerce platform for professional services businesses, to streamline how they engage clients and get paid. Over 5,000 accounting and professional services firms around the world use Ignition to win new business with impressive digital proposals, engage clients with a clear scope of work, and get paid on time by automating payment collection. Ignition also integrates with leading business apps such as Gusto, QuickBooks, Xero and Zapier to automate time-consuming tasks. Founded in 2013 by a progressive accounting entrepreneur to find a better way of doing business, our goal is to help customers grow, be more efficient, and create win-win client relationships. To date, we've helped facilitate more than 2 million client engagements and over US\$2 Billion in client payments. Ignition has teams in Australia, Canada, New Zealand, The Philippines, South Africa, US and the UK, with over 190 employees globally.

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This research was commissioned
by Ignition and conducted by

