MassCPAs™

PulseCheck

2026 Firm Insights Report

Executive Summary

The accounting profession continues to experience rapid change across talent, technology, regulation, organizational structure and service delivery. At the 2025 New England Practice Management (MAP) Conference, the Massachusetts Society of CPAs (MassCPAs) surveyed more than 200 firm leaders from across the region, and the results reveal a profession in transition. Technology emerged as the top strategic concern in 2025, edging ahead of recruiting talent, which declined from the prior year. At the same time, concerns related to developing new skills increased modestly, while retention and recruiting pressures eased compared with 2024. Regulatory and tax complexity issues continued to rise. Meanwhile, many firms are reassessing traditional staffing, governance and partner models as they consider how best to build leadership capacity, support advisory growth and remain structurally sustainable in a changing environment.

What's Top of Mind for Firm Leaders

Source: Massachusetts Society of CPAs, "2025 MAP Poll"

These regional findings closely align with national research, including *The Readiness Divide* and the *Workforce Transformation Report*, which show widening skill gaps, accelerated automation, rising succession pressures and a shift toward more specialized and strategically governed firm models.

National research from MassCPAs and CPA Crossings also reinforces this data. The 2026 report, *From Volume to Value: The New Era of Precision Hiring in Accounting*, shows the profession's talent challenge is no longer about volume, but precision. The national survey of 202 accounting professionals found that 59.7% of firms report gaps in critical thinking and 57.2%report gaps in professional communication.

The same research shows that 92.5% of firms now use artificial intelligence (AI) in hiring, with 85.5% reporting improved recruiting effectiveness and 68% stating that AI-vetted hires perform better than traditionally hired employees. These findings point to a growing competitive divide between firms that have adopted AI-enabled, competency-based hiring models and those that have not.

Executive Summary (continued)

Firms are also increasingly willing to pay compensation premiums (median 14%, mean 24.9%) for candidates with scarce competencies such as AI proficiency, data analytics and judgment, signaling a decisive shift from traditional volume-based hiring toward quality-driven talent strategies.

This report synthesizes these intersecting themes to equip firm leaders with insights and actions needed to navigate 2026 and beyond.

Talent: A Capability Challenge

When looking at top concerns for firm leaders across New England, the 2025 MAP poll indicated a notable decrease in recruiting talent, from 18.44% in 2024 to 13.67% in 2025. Retention challenges also declined by almost half, from 16.31% in 2024 to 8.99% in 2025. At the same time, concerns about keeping up with the need for new skills increased slightly, from 7.09% in 2024 to 8.27% in 2025, hinting as a capability gap as firms evolve.

National precision hiring research reinforces this shift. While firms clearly understand which competencies drive long-term success, they report significant difficulty finding them. Nearly 60% of firms cite gaps in critical thinking (59.7%) and professional communication (57.2%) among recent graduates, even though these competencies rank among the most important for performance, advancement and client-facing work. These are the skills that traditional hiring and assessment methods struggle to measure effectively.

This disconnect mirrors *The Readiness Divide* findings that highlight a structural misalignment in talent strategies. Firms continue to over-test for technical accounting knowledge, now largely considered a baseline requirement, while under-assessing judgment, communication, adaptability and decision-making. Yet these capabilities are increasingly central as firms shift toward advisory services, earlier client exposure and technology-enabled work.

Talent: A Capability Challenge (continued)

Findings from the *Workforce Transformation Report* further contextualize this challenge. More than 52% of accounting firms anticipate a workforce reduction of 20% or more over the next five years, driven primarily by automation and changing service models. Despite this expected contraction, roughly 75% of firms report they will need the same number or more professionals with updated or specialized skills to meet future client demand. The result is a growing mismatch between headcount and capability needs: fewer roles overall, but higher expectations for those who remain.

To address this imbalance, the research identifies precision hiring and proactive retention as two of the six core workforce transformation priorities. This approach emphasizes more selective, skills-based recruiting, paired with intentional efforts to retain high performers in an increasingly competitive and shrinking talent market. However, the research also notes that traditional pyramid firm structures are inherently misaligned with these goals. Designed around attrition rather than retention, these models are particularly vulnerable at the mid-career level, where future leaders and specialists are developed.

Without clearer advancement paths, earlier exposure to higher-value work and more personalized development strategies, firms risk losing critical talent at the point when specialized skills and leadership capacity are becoming most essential. These structural and talent model pressures help explain the widening perception gaps firms are observing across career levels.

The Readiness Divide illustrates this gap clearly. Early career professionals rate their readiness at an average of 7.39 out of 10, while managers rate them significantly lower, at 4.95. The largest discrepancies appear in communication, decision-making, judgment and time management, which are foundational skills for advisory work and leadership effectiveness. These gaps create real challenges for firms that need professionals to contribute meaningfully to client service earlier in their careers.

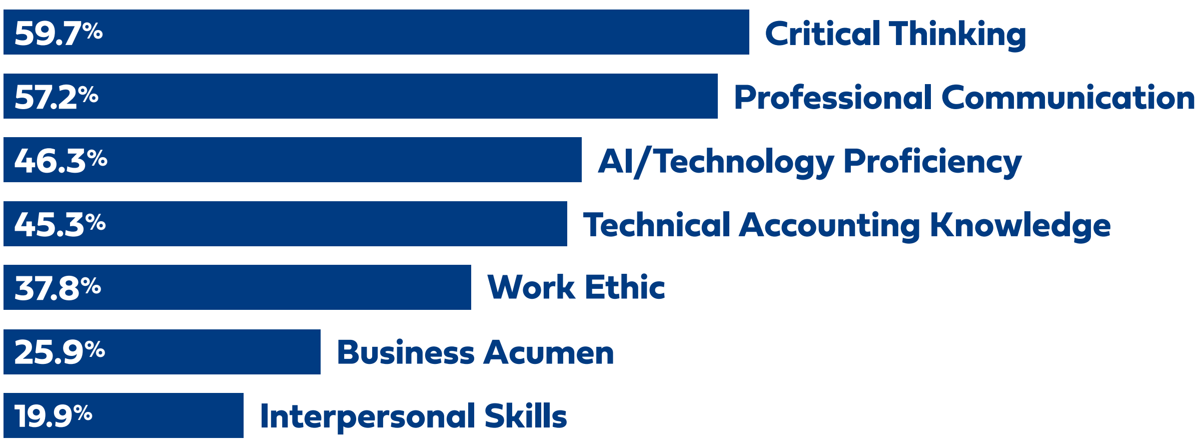
At the same time, automation is reducing the volume of traditional entry-level work, accelerating the need for earlier skill development and greater responsibility at junior levels. While succession concerns remained relatively stable in the 2025 MAP poll, national research indicates that firms are facing a growing shortage of mid-level professionals capable of stepping into leadership and ownership roles.

Talent: A Capability Challenge (continued)

To remain sustainable, firm leaders must invest in structured upskilling pathways, formal mentorship programs and modernized career models. Earlier leadership exposure, clearly defined advancement criteria and transparent development frameworks will be critical to closing capability gaps, strengthening retention and building the next generation of firm leaders.

Skills Gap Analysis

Percentage of firms identifying each skill gap



Source: CPA Crossings and the Massachusetts Society of CPAs, "From Volume to Value: The New Era of Precision Hiring in Accounting" (2026)

The Top 5 Strategies for Accelerating Entry-Level Employees into Higher-Value Roles Based on their Effectiveness (1 = most effective)

1. **Formal mentorship or sponsorship programs**
2. **On-the-job learning through challenging assignments**
3. **Technical skill-building through certifications or training**
4. **Internal job rotations across different roles**
5. **Leadership and soft skill training programs**

Source: CPA Crossings and Massachusetts Society of CPAs, "Workforce Transformation Report" (2025)

Technology: A Strategic Imperative

Technology has emerged as the most significant strategic concern for accounting firms. In the 2025 MAP poll, technology increased modestly from 15.60% in 2024 to 17.63% in 2025, becoming the top-ranked concern as recruiting declined. Firm leaders report growing pressure to evaluate and integrate AI across tax, audit, advisory, and internal workflows while keeping pace with a rapidly expanding and evolving technology landscape.

While many firms describe themselves as "experimenting" with AI, national data suggests adoption has already moved well beyond the exploratory phase. Precision hiring research shows that 92.5% of firms now use AI in hiring, signaling that AI is quickly becoming the default rather than the exception. Core applications such as interview scheduling automation (58.2%), resume screening and parsing (51.7%), and initial candidate assessments (49.3%) are now widely deployed, demonstrating how quickly AI is reshaping not only firm operations but also how talent is evaluated and selected.

This rapid adoption has direct implications for workforce structure and staffing models. Findings from the *Workforce Transformation Report* indicate that more than half of accounting firms expect their overall workforce to shrink by 20% or more over the next five years, with entry-level roles most affected as automation increasingly replaces repetitive and transactional work. As a result, professionals are expected to contribute higher-value judgment, analysis and client-facing skills earlier in their careers.

As technology becomes embedded across firm operations, governance and strategic alignment are emerging as critical differentiators. The *Workforce Transformation Report* indicates that firms taking a structured and intentional approach to technology implementation are better positioned to streamline operations, prioritize investments and support workforce transformation, while firms adopting tools in a fragmented or ad hoc manner face greater challenges realizing return on investment.

The research underscores that the most effective workforce transformation strategies prioritize technology that streamlines operations and improves service delivery, rather than disconnected or incremental initiatives. The findings point to the importance of intentional technology adoption supported by training, workflow redesign and clearer decision-making structures, particularly as firms rethink staffing and service models.

Technology: A Strategic Imperative (continued)

In this context, formal technology governance mechanisms, such as technology or AI committees, can support evaluation, risk management and alignment with firmwide goals when technology is treated as core infrastructure rather than a standalone initiative. Ultimately, treating technology as a strategic imperative requires more than adoption; it demands planning, workforce development and integration with governance, pricing and service delivery decisions. Firms that align technology strategy with talent, structure, and client needs are better positioned to compete as AI-enabled models continue to evolve.

AI as the Default, Not the Exception

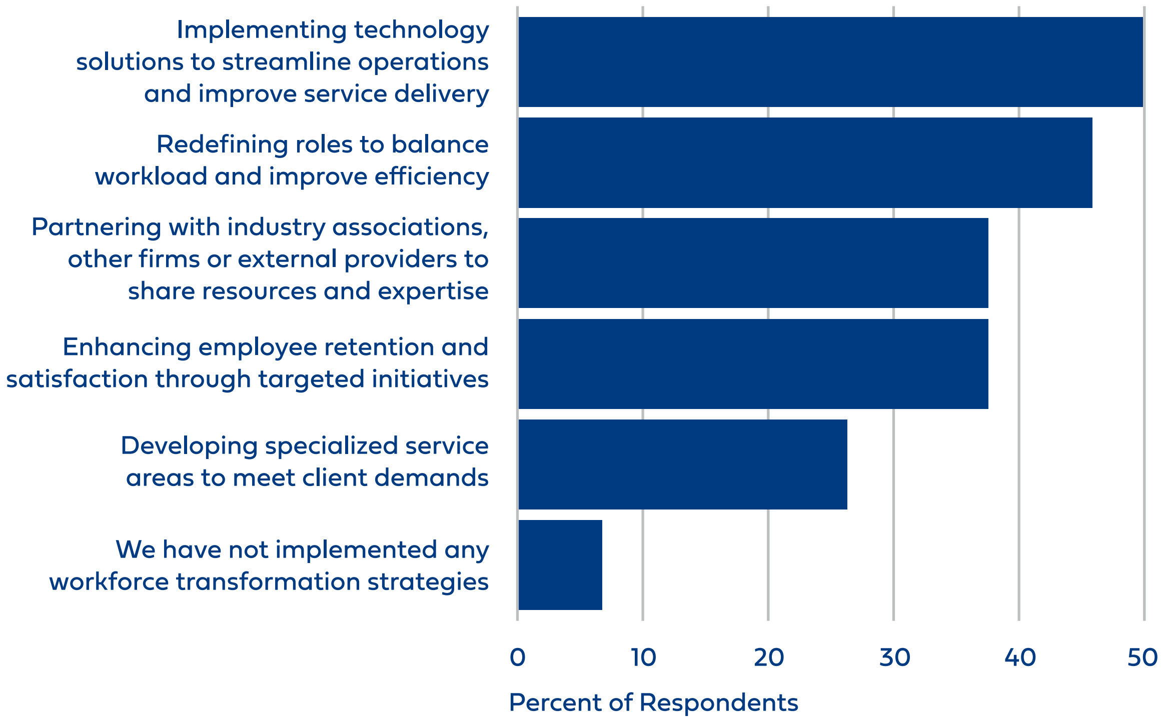
92.5%
of firms use AI in hiring

85.5%
report improved recruiting effectiveness

68%
say AI-vetted hires perform better

Source: CPA Crossings and the Massachusetts Society of CPAs, "From Volume to Value: The New Era of Precision Hiring in Accounting" (2026)

Most Successful Workforce Transformation Strategies



Source: CPA Crossings and Massachusetts Society of CPAs, "Workforce Transformation Report" (2025)

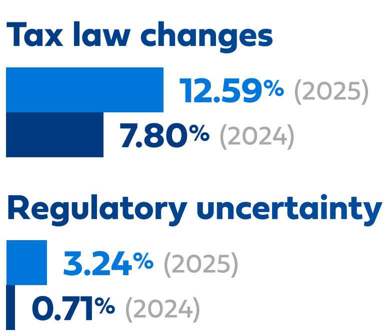
Regulatory & Economic Complexity: A Rising Concern

Regulatory pressures increased sharply in this year's poll. Concerns about tax law changes increased from 7.80% in 2024 to 12.59% in 2025, while regulatory uncertainty rose from 0.71% in 2024 to 3.24% in 2025. This shift is driven by a combination of federal dynamics, state-level licensure and mobility discussions, PCAOB enforcement activity, ongoing IRS operational challenges, growing state and local tax (SALT) complexity and the possibility of upcoming federal tax sunsets.

These forces are reshaping firm priorities. Compliance affects capacity, risk management, talent needs and advisory demand. Firms must devote more resources to monitoring state and federal changes, educating clients and strengthening internal expertise. While complexity will fuel advisory growth, it will also put a strain on capacity, which reinforces the need for more specialized staffing structures.

Firms will need greater investment in tax planning, governance structures that support real-time regulatory changes and expanded client education practices. Advisory services tied to planning and forecasting will also continue to grow as practitioners and their clients navigate changing regulations.

Top Concerns for New England Firm Leaders



Source: Massachusetts Society of CPAs, "2025 MAP Poll"

Evolving Organizational Structures and Succession Pressures

Succession planning remains a persistent structural issue for firms, even though it did not materially increase in the 2025 MAP poll. Succession planning was cited by 9.71% of respondents in 2025, compared with 9.93% in 2024, indicating that while concerns remain, they are relatively stable year-over-year. Similarly, cost of doing business concerns declined slightly to 7.55% in 2025, down from 7.80% the prior year. While these issues may not rank as top short-term pressures, they continue to shape long-term firm sustainability discussions.

National research suggests that succession challenges are increasingly tied to organizational structure rather than ownership transition alone. Findings from the *Workforce Transformation Report* show that traditional pyramid-shaped firm models, designed around high entry-level volume and expected attrition, are becoming misaligned with today's workforce realities. As automation reduces reliance on entry-level work and raises expectations for earlier contribution, firms face growing difficulty developing and retaining professionals through the mid-career stages where leadership skills, client relationships, and institutional knowledge are formed.

Compensation dynamics further complicate succession planning. Precision hiring research finds that externally hired managers earn, on average, 8.9% more than internally promoted peers, creating a "loyalty tax" that can unintentionally discourage internal advancement and weaken leadership pipelines. While firms may pay premiums to secure experienced external talent, overreliance on external hiring can increase long-term succession risk if internal development is not equally prioritized.

In response, many firms are reassessing how leadership, ownership and governance are structured. The *Workforce Transformation Report* highlights growing experimentation with alternative practice structures, non-equity leadership roles and more flexible governance models, driven by the need to retain experienced professionals and sustain leadership capacity. These approaches reflect a broader shift away from rigid partner-track models toward structures that support specialization, retention and continuity.

Evolving Organizational Structures and Succession Pressures (continued)

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As firms evolve toward more flexible, pentagon-shaped organizational models, with broader middle layers of experienced professionals and specialists, succession planning must extend beyond ownership transfer alone. It must be integrated into workforce strategy, talent development, compensation design and governance. Earlier leadership exposure, clearer advancement criteria and differentiated career paths, including both equity and non-equity roles, are becoming essential to building sustainable leadership capacity in a changing profession.

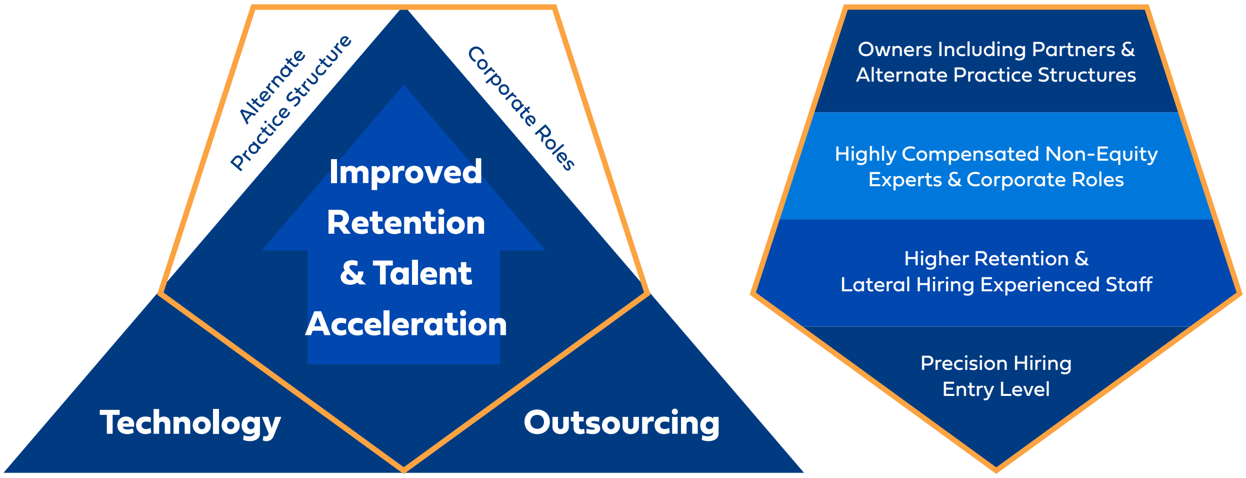
Ultimately, firms can no longer rely on legacy structures to solve modern succession challenges. Firms that proactively modernize structures and align talent and compensation strategies with evolving service models will be better positioned to maintain continuity and adapt to future change.

The Traditional Pyramid-Shaped Accounting Practice Structure

Source: CPA Crossings and Massachusetts Society of CPAs, "Workforce Transformation Report" (2025)

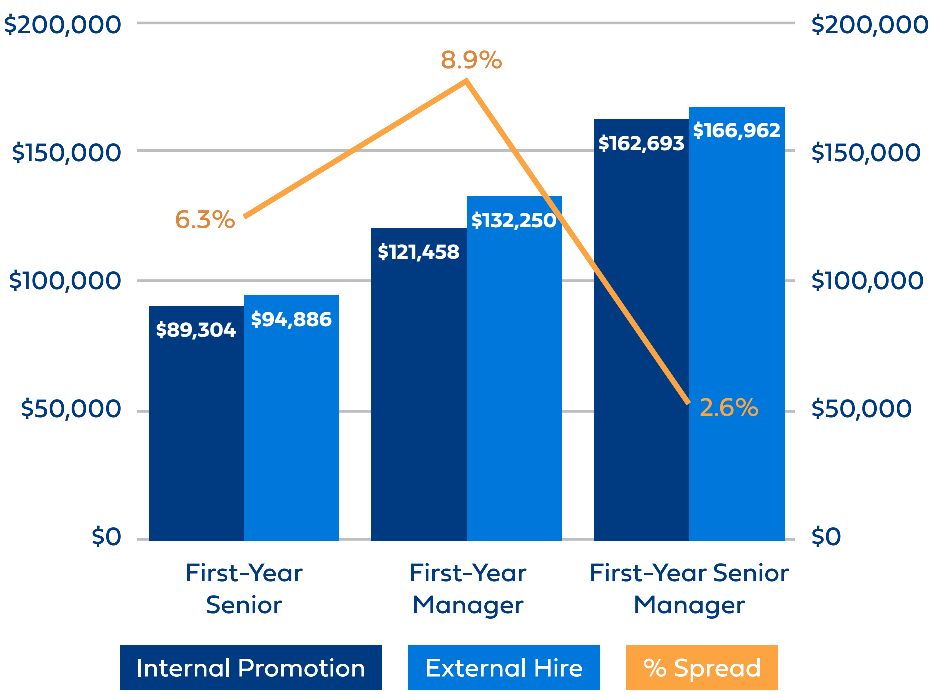
Evolving Organizational Structures and Succession Pressures (continued)

The Evolving Inverted Pentagon Accounting Practice Structure



Source: CPA Crossings and Massachusetts Society of CPAs, "Workforce Transformation Report" (2025)

Tax & Audit Average Salary – USA (2024 & 2025)



Source: CPA Crossings and the Massachusetts Society of CPAs,
"From Volume to Value: The New Era of Precision Hiring in Accounting" (2026)

Growth Opportunities: Advisory Continues to Outpace Compliance

Advisory-related services continue to anchor firms' growth strategies as client needs shift toward more forward-looking, insight-driven support. In the 2025 MAP poll, 37.17% of firms identified tax strategy and planning as a key growth area, making it the most frequently cited opportunity among respondents. Other advisory-oriented services followed, including fractional CFO and business advisory service (20.94%) and fractional accounting services (10.99%), reflecting growing demand for ongoing financial insight and decision support.

This emphasis on advisory reflects broader changes in how clients engage with their accounting firms. Increasing regulatory complexity, economic uncertainty and access to real-time financial data are driving demand for services such as cash flow forecasting, scenario modeling, strategic planning and ongoing advisory relationships. Clients are seeking professionals who can interpret information, apply judgment and provide actionable guidance, all capabilities that extend beyond traditional audit and tax compliance.

National research reinforces this shift. The *Workforce Transformation Report* notes that as automation reduces reliance on repetitive and transactional work, firms are increasingly redeploying capacity toward higher-value services that require professional judgment and client interaction. This dynamic supports advisory expansion while simultaneously raising expectations for earlier contribution and deeper expertise across career levels.

Technology is a critical enabler of advisory growth. Cloud platforms, automation and analytics tools allow firms to deliver insights more efficiently and at greater scale, supporting recurring advisory engagements. However, the research emphasizes that technology alone is insufficient. Advisory growth depends heavily on talent development, particularly in communication, analytical thinking and business acumen, as well as organizational structures that support retention and specialization.

Firm structure also plays a central role. As firms move away from traditional pyramid models toward more flexible, retention-focused organizational designs, they create broader middle layers of experienced professionals and specialists who are well positioned to deliver advisory services. These models support deeper client relationships, more sustainable workloads and clearer career paths. These factors are also essential for scaling advisory offerings over time.

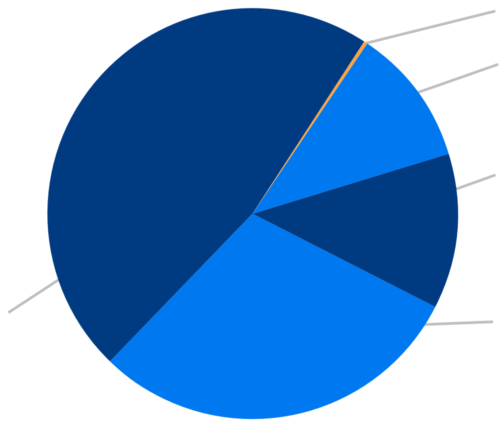
At the same time, advisory expansion places new demands on pricing and talent strategy. Advisory services require earlier exposure to complex client work, accelerated skill development and differentiated career paths for professionals who may not pursue traditional equity ownership. Firms are also

Growth Opportunities: Advisory Continues to Outpace Compliance (continued)

increasingly challenged to shift toward value-based pricing models that reflect the strategic nature of advisory work rather than the time-based billing structures historically associated with compliance services.

Looking ahead, firms that successfully align talent development, technology investment, organizational structure and pricing strategy around advisory services will be best positioned to capture sustainable growth. Those that remain overly dependent on traditional compliance work risk margin pressure, talent disengagement, and missed opportunities as client expectations continue to evolve.

How Will Your Firm's Workforce Needs (Staffing Levels and Skills) Change in the Next 5 Years?

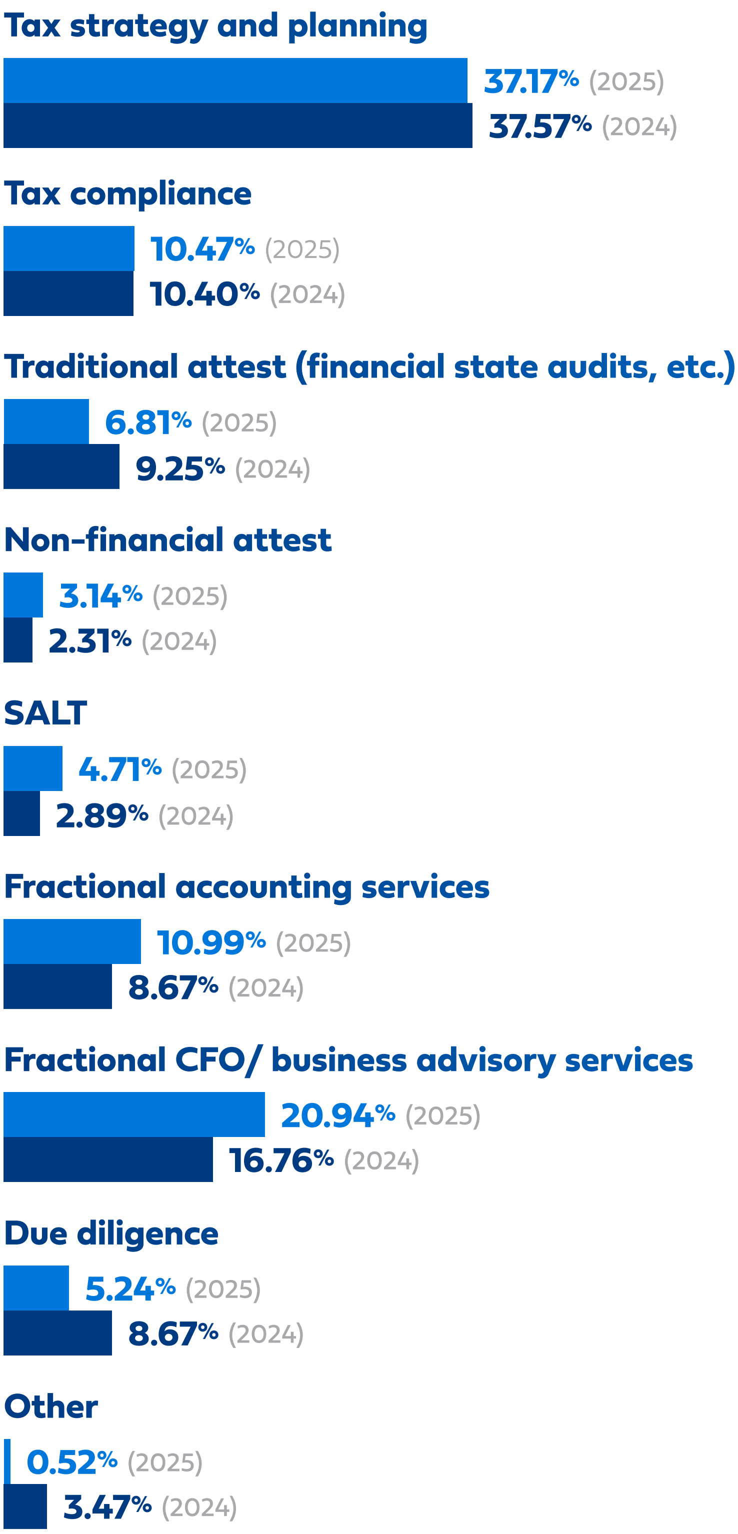


Types of Skills Most Critical for Entry-Level Staff to Develop

Source: CPA Crossings and Massachusetts Society of CPAs, "Workforce Transformation Report" (2025)

Growth Opportunities: Advisory Continues to Outpace Compliance (continued)

What Service Areas Do You Anticipate Will Have the Most Growth Potential with Your Clients? (continued)



Source: Massachusetts Society of CPAs, "2025 MAP Poll"

Recommendations for Firm Leaders

The findings in this report point to a profession at an inflection point. Firms are navigating simultaneous pressures while client expectations continue to evolve. The firms best positioned for long-term success will be those that treat these challenges as interconnected and respond with coordinated, intentional strategies.

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1. Prioritize Capability Development Over Headcount Growth

As skill development concerns continue to rise, firm leaders must shift focus from filling roles to building the capabilities required for success. This includes strengthening communication, professional judgment, analytical thinking and technology fluency across all career stages. Firm leaders should prioritize structured upskilling, clearer competency expectations and earlier exposure to higher-value work to prepare professionals for advisory and leadership roles.

2. Modernize Hiring and Advancement Models Using Precision Hiring

Traditional hiring and promotion practices struggle to assess the competencies firms increasingly need. *The Precision Hiring Report* shows that 92.5% of firms now use AI in hiring, with 85.5% reporting improved recruiting effectiveness and 68% reporting better on-the-job performance from AI-vetted hires. Leaders should modernize hiring and advancement models to emphasize judgment, communication, adaptability and problem-solving, all of which are capabilities that drive performance in advisory-driven environments.

3. Treat Technology as Strategic Infrastructure

Technology emerged as the top-ranked concern in the 2025 MAP poll, reflecting its growing role in firm performance. National research underscores the most successful workforce transformation strategy is implementing technology to streamline operations and improve service delivery. Firms that approach technology adoption intentionally through training, workflow redesign and clearer decision-making, are better positioned to realize returns, while fragmented or reactive adoption limits impact.

Recommendations for Firm Leaders

4. Build Regulatory Agility into Talent, Technology and Governance

Regulatory and tax complexity increased in the 2025 MAP poll, with concerns about tax law changes and regulatory uncertainty both rising year-over-year. This environment requires firms to embed regulatory and tax agility into broader firm strategy rather than isolating it within technical silos. Leaders should invest in specialized expertise, technology-enabled monitoring and governance structures that support timely decision-making. As planning and advisory services grow, the ability to apply judgment in real time will become a competitive differentiator.

5. Modernize Organizational and Succession Models to Support Retention

Succession concerns remained relatively stable in the MAP poll, but national research highlights deeper structural risks. *The Workforce Transformation Report* shows that traditional pyramid firm structures are increasingly misaligned with today's workforce realities, particularly as automation reduces entry-level work and raises expectations for earlier contribution. As The Precision Hiring Report notes, compensation dynamics compound this challenge with externally hired managers earning an average of 8.9% more than internally promoted peers, creating a "loyalty tax" that can undermine internal leadership. Leaders should modernize career paths, ownership models and governance to retain and develop future leaders.

6. Accelerate Advisory Readiness

Advisory services continue to lead growth priorities in the 2025 MAP poll, with 37.17% of firms identifying tax strategy and planning as a key opportunity, followed by fractional CFO and advisory services (20.94%). Realizing this growth requires alignment across talent, technology, structure and pricing. National research shows that advisory expansion depends on professionals' ability to apply judgment, communicate effectively and deliver insights, which are capabilities that must be developed intentionally. Firms should invest in advisory skill development and continue shifting toward value-based pricing models that reflect strategic impact rather than time spent.

Conclusion

The accounting profession is entering a period of deliberate transformation shaped by evolving client expectations, advancing technology, increasing regulatory complexity and changing workforce dynamics. The 2025 MAP poll reflects easing short-term pressure for New England firm leaders on areas such as recruiting and retention, alongside a growing emphasis on capability development, technology integration and long-term sustainability. These findings suggest that firms are moving beyond immediate staffing concerns and toward deeper strategic questions about how work is performed, how talent is developed and how value is delivered.

National research reinforces this shift. As automation reshapes entry-level work and accelerates expectations for earlier contribution, firms are being challenged to rethink traditional organizational models, leadership development pathways and succession strategies. At the same time, advances in AI and data-driven tools are redefining both how firms operate and which skills matter most, increasing the importance of judgment, communication and adaptability across all career stages.

The firms best positioned for the future will be those that treat talent, technology, structure and regulation as interconnected elements of a single strategy rather than isolated issues. This requires intentional investment in capability development, disciplined technology governance, modernized career and ownership models and a proactive approach to regulatory change. It also requires aligning these efforts with advisory-driven service models that reflect the evolving needs of clients.

MassCPAs will continue to support firms and members locally and across the region through research, education, advocacy and resources designed to help navigate this transition. By acting decisively and strategically, firm leaders can strengthen resilience, build leadership capacity, and position their organizations not only to adapt to change, but to shape the future of the profession.