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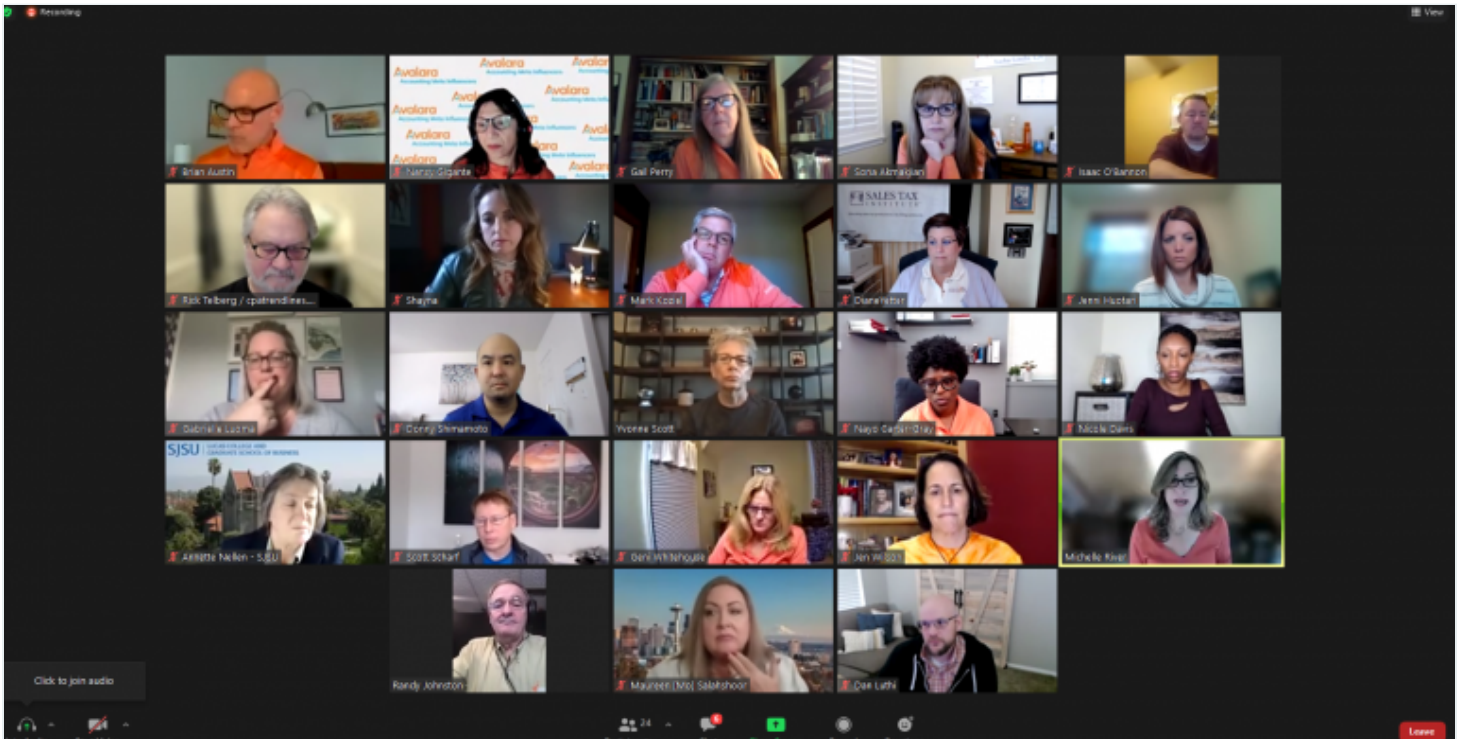
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**ADVISORY**

# How Firms Can Move to, or Optimize, Advisory Services

Advisory services are a more fundamental change to the actual services that a firm provides.

Isaac M. O'Bannon • Nov. 18, 2022



## *Accounting Meta Influencers Identify Key Trends for 2023.*

If you're an accounting professional in a management role at a public accounting firm, you've no doubt heard the term "Advisory Services." As with many terms that have floated through the profession in the last couple of decades, thought leaders

have been suggesting that a shift to providing higher value, and higher revenue, advisory services have the potential to greatly transform firm success and client relationships.

Of course, seasoned professionals have heard those proclamations before, such as with the move to the cloud, digitization of document management, workplace cultures, remote work, data security, AI, and other technology trends. These technology-driven trends have all influenced firm productivity to various degrees over the years, and have been critical to the profession continuing to evolve with changing client, staff, and business needs and expectations.

The above factors have primarily change how firms do their work: How they get their data, how they interact with clients, the systems the firm and clients use, and internal practices. But advisory services are a more fundamental change to the actual services that a firm provides.

## What does advisory services mean?

Dozens of the profession's thought leaders recently met virtually as part of Avalara's Accounting Meta Influencers sessions, where they identified and discussed what advisory services are, the benefits of moving toward the model, and how firms can do so.

“We've been hearing a lot about the ‘move to advisory services’ for several years now, and a lot of people are recommending firms move away a focus on compliance,” said Dan Hood, who moderated the discussion panel. Hood is editor-in-chief of *Accounting Today*.

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*Sona Akmakjian, Avalara.*

In short, advisory services is asking what your clients want, not just providing end-product driven services like taxes, closing books, payroll, financial statements, etc. While many firms have been providing some of these functions for clients for years, they are often ancillary functions of the firm. The goal of moving a practice toward advisory services is to move those and other functions into byproducts of a client relationship, which becomes the primary revenue channel of the firm, instead of having tax at the center of the service model. Doing so will also result in stronger and

more valuable client relationships that are based around building overall client success and longevity.

“The right technology or the tech stack can help you with advisory. The true access to intelligence and data is really what you need to advise your clients on,” said Sona Akmakjian, Global Head of Strategic Accounting Partnerships at [Avalara](#). “Looking at the trends, the data analytics can enable you to be a true advisor because reality is, your clients don’t have access to that data or have the experience to analyze that data to be able to fully understand what they need to do.”

“My goal with advisory is to help a client move forward in the direction of their dreams. That’s what it means,” said [Geni Whitehouse](#), a CPA serving wine industry clients in Napa, California. Whitehouse is also founder of The Impactful Advisor, as well as an author and frequent keynote speaker. “If we’re not doing that, then we’re not adding real value to a client.”

For a long time, accountants haven’t moved out of their traditional roles because they didn’t know what to do and didn’t have the right tools, she says. “We’ve kept doing what we’re doing because we’ve always been busy. We didn’t know how to have real conversations with clients, because what if we ask a question about something we don’t know about? We have to find the confidence to go in a new direction.”

“The definition of advisory services has been very broad. We need to narrow that down or figure out how firms can narrow it down for themselves,” Hood noted. “Do firms need to start offering entirely new services than they’ve offered before?” he then asked the group.

“I’ve never been a compliance person,” said Diane Yetter, founder of both [YETTER Tax](#), a sales tax consulting and tax technology firm, and [The Sales Tax Institute](#), which offers live and online courses to educate business professionals about sales and use tax. “But I have been in several different roles over my career, including government, audit, industry, Big 4, and on my own. My perspective is that I’ve always put my advisory role first, asking them questions and finding out what questions they have.”

Advisory services need to be about the questions that go both ways in client discussions, she said, and giving firm staff at all levels the skills they need to listen

and understand. “You have to find out what the client is actually talking about, not just go in with a list of questions. You have to be an active listener,” Yetter said.

Jennifer Wilson agreed, adding that, “A lot of firms give their advisory for free around a compliance deliverable, and that means a lot of money is left on the table. Instead, we need to create pathways with those services that are not compliance based, like client accounting, succession planning, and state and local planning, as well as services we haven’t defined yet.” Wilson is a partner and co-founder of [ConvergenceCoaching](#), which offers firm growth, leadership, succession and strategy consulting to firms.

“Next generation firm leaders want to be more advisory than compliance, but they are worried about the capacity of their staff,” Wilson added. “They don’t want quality to be sacrificed or firm members to be over-burdened when trying to go deeper with clients.”

“Let’s acknowledge staffing, which can be a huge hurdle with any new initiative,” prompted Hood. “Everyone’s got way too much work, like compliance, that just has to be done. Someone has to do it. Overloading staff is always going to be a huge concern. Or should we be talking about a whole new set of services?”

“The biggest problem we see is that the compliance side is not being done correctly,” said Donny Shimamoto, CPA, CITP, CGMA, founder and managing director of [IntrapriseTechKnowlogies](#), a management consulting, systems integrator and CPA firm with offices in five states.

When considering implementing advisory services, he said, “I think we have to be careful to not throw the baby out with the bath water. Compliance is still needed. It just needs to be completely optimized, made efficient. Get it out of the way, but it needs to be done with quality, and if it’s not done with quality, we can’t do the advisory correctly. I can’t run data analytics on anything if I can’t rely upon the underlying data, which means that the bookkeeping has been done correctly; the tax return has been done correctly. I think we see compliance as the base, and then need to add on advisory.”

“My practice is compliance first, and that’s because the business owners that we serve start off with the need for compliance services, and that’s where they need advice around,” said Nayo Carter-Gray, an EA and founder of the tax-focused firm [1st Step Accounting](#). “We also think about advisory as being a one-to-one conversation, and we advise in a lot of ways. When I deliver a tax return there are some proactive

steps I give to clients with the guidance, ‘Here are some other things you should possibly look at.’”

## How is “Advisory-First” Different Than Traditional Accounting Services?

Yvonne Scott noted that the profession has been talking about advisory services and value pricing for a long time. “We tend to price services based on the tangible thing that’s going to be delivered, which is generally the compliance work. But we do that backwards. We basically say, ‘This is how many hours I think it’s going to take me, and multiply that by my hourly rate. And that’s what I’m going to charge, and that’s what clients have become accustomed to.” Scott is a business and technology coach, and CEO of [CIO Concierge LLC](#).

“I think you have to turn it on its head a little bit, and say the compliance services are only a part of the offering we’re providing. The challenge is what firms are going to embrace. They have to sell advisory first. To be a true advisory firm, you have to be present in the business on an ongoing basis. You can’t just parachute in.”

One of the other challenges firms face in moving to an advisory-first role is “A lot of clients don’t even know what they don’t know,” Scott said. “They don’t know what questions to ask you to help give them advice. So, you need to probe, be present, look at their numbers, gain insights – because you see a lot of numbers from a lot of other companies, and you know which ones are doing well, and which ones are not.”

“It has to be a coaching mentality,” she added. “I’m the coach – I’m not going to go out on the field for you, but I certainly can help you in the background to be a whole lot better performer if you listen to some advice and tips. It’s a huge mind shift for the firms and the clients.”

Dan Luthi suggested the coaching aspect needs to be in mind when thinking about firm staff, as well.

“We often focus on client first; after all, they do pay us,” he said. “But if our teams don’t know how to deliver compliance services, then this is just a moot conversation. They are trained on that. We also have to take time and resources and the energy to improve the concepts and the knowledge that our teams have.” Luthi is a partner with [IgniteSpot Accounting](#).



“In my mind, the number of advisory service options is stunning. By my last count it’s seventy-two, and I know I don’t have them all captured,” said Randy Johnston, founder of [Network Management Group, Inc.](#), and executive vice president of [K2 Enterprises](#). “So, the opportunity is almost endless. But one thing we’ve observed is that the tax and accounting services staff see the opportunities for other services the client needs that can be profitable. If you’re not doing compliance, you may miss a lot of other opportunities.”

To me, advisory is proactive, consulting is reactive.

*Randy Johnston.*

Johnston also noted that private equity investments in firms is having an effect on structuring, and some are spinning audit or other services into separate units to leverage profit. This also changes compensation models.

Another issue is that a lot of people are calling some services advisory that aren’t advisory, said Johnston. “To me, advisory is proactive, consulting is reactive. It seems to me that advisory is best structured in terms of tiers of services. You have to be able to do business, planning, and personal planning, or you don’t have advisory at all.”

Peter Wen thinks automation will play a key role in making advisory services more attainable for smaller firms, as well as larger ones. Wen is co-founder of [Tallyfor](#), which makes tax automation solutions for accounting firms. “I think the bots can reduce some of that bulk work, some of the rote work. By automating most of it, it releases the human brain to do more complicated things like think about a complicated M&A, or planning tax scenarios. Those things can’t be done by a bot. So that’s where I come in and say, how does software fit into this picture?”

Blake Oliver, CPA, founder and CEO of CPE provider and education firm [Earmark CPE](#), agreed with Carter-Gray that compliance deserves more respect, because it is the core component of most small firms.

“I see the dream of building a firm where, as the owner or partner you don’t do the actual work – where you are the owner rather than a worker,” Oliver said. “But it can be a challenge for small firms to bring in the niche area expertise to make it work.”

Wilson noted that it is achievable even for smaller firms if they build their practice right. “You need to create saleable services that can be taught to other staff and leveraged, to build the organization around, so that the owner isn’t the main

deliverer of the service,” she said. “And then there are the very customized and specialized coaching and advisory services.”

## What Do Firms Need to Do to Get There?

Hood, as moderator, noted the seemingly vague definition of advisory services. “Everybody in accounting knows what tax prep looks like. You may need to learn the specifics of a specific return, but everybody knows the process. Advisory services are so wide and so varied that it’s sort of crazy to say, ‘Just go do some advisory services,’” he said.

He added that the [AICPA](#) and [CPA.com](#) have added specific frameworks for some services, like client accounting, and even have conferences and training around those services.

“Do we need to do the same thing for every other advisory service in order to overcome the reluctance firms have to move toward these – to give them specific roadmaps? And if so which technologies?” asked Hood.

“We need training, and standards – and a framework as well,” said Carter-Gray. “We also have staff from a non-traditional accounting background who need to be brought up to speed, so a framework and training standards can help us get started with the conversation.”

“And we can’t force all of our clients into the same tech stacks and specific types of services,” said Luthi. “For instance, CAS needs to allow for customization based on client needs, and a lot more niching.”

“Many of the C-suite tech vendors that are out there talk about how they’re going to make compliance more efficient. But nobody really has the conversation about how to move firms and clients into advisory,” said Mark Koziel, president and CEO of [Allinial Global](#), and a former executive VP at the AICPA. “But you can’t just tell them all to go to the same vendor.”

Yvonne Scott agreed. “You can’t force every client into a single solution. There is no single checklist. But it is important to have standardization, to create templates and approaches and methodologies for certain types of advisory services,” she said. “If you’re going to do strategic advisory, you have to look at a business client in its entirety.”

To become an advisory-first practice, Oliver said you need to figure out what differentiates your firm, what its specialties are.

Shimamoto summed up most of the group's thoughts, saying, "When we get back to advisory, and the fact that so much of what we do is based on trust, and ethics, and integrity, that is really what differentiates us from other consultants. That we always have the best interests of the client in mind."

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