

# Special Report

Becoming an advisory accountant



## Navigating the shift to advisory

Accountants face a major change in course

# Navigating the shift

Changing course away from a focus on compliance to advisory work requires careful planning

By Antoinette Alexander

**A**re you an advisory accountant? That is a question more and more CPAs should consider as the profession continues to pivot away from compliance-first business models in favor of delivering more strategic and transformative services. The rise in client expectations, advancements in technology, and an influx of data have resulted in a notable shift and a new take on “advisory.”

“An advisory accountant takes data and converts it into actionable insights for their clients. ... It used to be all historical. Now, it’s forward-looking to help the clients make their strategic decisions as to what they are going to do from a financial perspective,” said Nicole Ksiazek, senior director of strategy and sales for the Sage Intacct Accountants Program. “Now, firms are treating [advisory] more as a service line as opposed to an add-on to possible outsourcing work that they were doing. In the past, people would say, ‘Oh, I’m doing advisory because I’m doing forecasting for our partners and our clients.’ But it has become so much more intentional now.”

Kane Polakoff, principal and client advisory services practice leader for Top 100 Firm CohnReznick, agreed and said, “When I think of value-added advisory services, it’s predicated on having a relationship with our clients that allows us to discuss the numbers and advise them on their businesses. We are tasked with looking at financial information, we add value when we

consult on operations, the culture of the organization, and marry industry best practices to KPI benchmarks to help companies achieve results.”

According to several industry sources, including Polakoff, data analytics and business intelligence have become increasingly front and center in advising clients.

Underscoring the rise of advisory services, *Accounting Today’s* annual “Year Ahead” survey of accounting firms and their plans for 2023 found that half of firms surveyed said they expect to spend more time on advisory services in 2023. “More firms are switching to an emphasis on advisory services, which tend to both offer more value to clients and be more profitable for firms,” the report stated.

The rise of advisory is evident, but some professionals may be left wondering: How do I become an advisory accountant? What changes need to be made in order to succeed?

## The shift in mindset

One of the initial changes that some professionals may need to make is to shift their mindset. Accounting professionals have long been viewed as their clients’ most trusted advisor. However, much of the core work has, historically, been done through a compliance-focused lens. Embracing an advisory-focused mindset and understanding that the firm is selling value, and not a commodity, is a shift that must start at the top with firm leadership and trickle down throughout the organization.

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**John Barnes**  
Vice president  
of product  
management for  
firm management

#### What is the most important step toward building an advisory-focused practice?

Firms should look first to integrated technologies and data analytics as the foundation for success. Embracing advanced tools and data-driven insights enables staff to provide proactive, strategic advice to clients, when it matters most. Meanwhile, a foundation of integrated and advanced technologies that leverage data provides the ability to offer more value, enhance client relationships, and stay competitive in a rapidly evolving industry.

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"I think, first, you just have to kind of embrace the fact that advisory is different and it requires a different approach compared to what may have worked and been successful on the tax side of the house, or in the audit and assurance side of the house," said Travis Miskowitz, a partner in CFO advisory services at Florham Park, N.J.-based Top 100 Firm Wiss. "I think clients have a lot of different options at their disposal, from working with different firms or working with different boutique firms, so I think it is really important that you take a fresh look and a fresh perspective when you are considering offering advisory services. You need that change management champion who can help guide the process. You need the support from executive leadership, and then you also really need to focus on talent development."

When asked about change management, John Barnes, vice president of firm management at Wolters Kluwer Tax & Accounting, said, "When firms are looking at advisory, some of the challenges, along with trying to up-level the skills of their staff, it is also just getting access to the staff to really focus on advisory. A big part of how they can actually manage that is looking at the KPIs that are going to be necessary around a successful advisory practice. ... You are really looking at KPIs like revenue per client or net client fees per professional, and when they start to do that, they can start to compare the profitability of the advisory practice area versus some of their others. I think when the partners start to see that this really is a high-profit growth area, then that can bring on some of the other partners who may have been more skeptical about jumping into advisory as a primary core area."

Kalil Merhib, executive vice president of growth and professional services for CPA.com, said it is important for firms

to "acknowledge and understand the transformation that is underway." He said this means the following must take place at the firm leadership level:

- Develop a clear strategy and vision;
- Gain a clear understanding of what it means to develop a digital mindset;
- Re-envision and restructure the practice to introduce more advisory;
- Review the current client management model and how it is structured; and,
- Identify natural opportunities to serve specific client types or industries.

Added Merhib, "I think they also need to understand and think about the importance of navigating their firm on behalf of a client. Really thinking about what is the role that we're playing with the client today and what are we missing that that client may be out there looking for [in terms of] services from other providers when we have something to serve up and introduce. So it comes down to the collaboration across departments and service lines, the cross-selling or introduction of other services, and the cross-serving."

Today's complex business environment is no doubt calling for more strategic and competitive service offerings. To help firms heed the call and adopt a more holistic approach, CPA.com developed the CAS 2.0 methodology.

CAS 2.0 emerged in response to the need and desire for firms to progress their services from "transactional CAS," also known as client accounting services, to "advisory CAS," or client advisory services.

"It is around the practice development elements. So, what we're seeing now is more firms starting to explore and test subscription models, and even move away from some of the traditional KPIs, like realization and utilization, and move towards new KPIs, like margin, and looking at the profitability of those services. ... We are seeing more produc-

## SPOTLIGHT ON

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**Kevin Au**  
Vice president  
of product  
management

#### **What is the most important step toward building an advisory-focused practice?**

The opportunity for advisory services is vast and can be overwhelming at times. The first step to build an advisory-focused practice is to ensure the technology foundation is in place. Bill pay, followed by spend and expense management, are the entry points for firms looking to embark on the journey of outsourced accounting. The integration of these services allows firms to have an approachable mentality when thinking about advisory, while at the same time delivering standardized operations for all clients.

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tization — firms introducing different service tiers for CAS. ... Then they are moving into business insights advisory at a higher level, giving more industry-specific information.”

### Unlock the power with tech

Technology enables firms to broaden bandwidth and drive greater efficiencies and automation, which means staff have more time to focus on higher-value services. Technology also unlocks the power of data and enables accountants to deliver the forward-looking, actionable insights that clients are seeking. When building out a tech stack, regardless of the solutions an advisory firm may select, there are two critical factors to keep top of mind:

- Standardization is key.
- Develop a well-defined tech stack that the firm controls, not the clients.

“The biggest thing is to have a well-defined tech stack with different product champions internally to make sure that you have an understanding of the systems and how you can utilize that system in terms of client service delivery. I think you need to really be selective in the systems that you utilize and you really want your clients to adopt the tech stack that you are comfortable working within. I think when you work with clients that are on different systems, or utilizing a different tech stack, it creates a lot of inefficiencies and it’s very difficult to service,” said Miskowitz of Wiss. “So, we’re focused heavily on cloud-based solutions ... and we are constantly evaluating different solutions that we can incorporate into the tech stack.”

Miskowitz said that, more recently, the firm has been exploring solutions geared toward financial planning and analysis services: “So, different systems we can utilize to help clients prepare financial models, to help them prepare a budget, or if they are asking

us to help with a role in forecast. Those are all systems and technologies that we are continuously evaluating as part of the practice and service delivery, but I think it’s much more of an emphasis on cloud-based technologies, and then just streamlining and standardizing the tech stack that we offer to our clients and that we are willing to work with when we service these clients.”

Polakoff of CohnReznick agreed on the importance of a standardized tech stack and also said, “It should include business intelligence tools to aggregate data from different sources to quickly create dashboards or client-focused deliverables. ... We have to make sure that data is clean; once you have data integrity, then you look at the industry-specific data to adequately benchmark apples to apples. We look at comparisons of organizations and find the outliers for our clients and provide solutions to close the gaps. Benchmarking to external data in real time is going to be an important part of where we all go as an organization and also as an industry.”

Polakoff said that the firm is currently focused on standardizing its tech stacks based on industry verticals. “I’m looking to have something in place by next year that will be able to provide that end-to-end solution to our clients. Now, we have the GL and the AP automation, but we want to move to CAS 2.0,” said Polakoff, who is part of the CPA.com CAS Advisory Council.

When asked about must-have technologies that advisory firms should consider, Brandon Roth, senior product marketing manager for Bill (formerly known as Bill.com), said, “There are many technologies that firms can incorporate into their existing tech stacks to develop a successful advisory platform. While some CAS practices might greatly benefit from spend and expense management solu-

## SPOTLIGHT ON

### CPA.com



**Kimberly Blascoe**  
Senior director,  
CAS professional  
services

### What is the most important step toward building an advisory-focused practice?

It is essential to have deep industry expertise in the specific vertical you intend to serve. Firms should recruit associates who possess a thorough understanding of the industry's needs, goals, and challenges. While this may seem straightforward, gaining leadership commitment to the compensation packages required can take more time than anticipated. To shift focus toward advisory services, it is imperative to have leadership buy-in and commitment to hire and retain the necessary skills to align with the needs of the industry they serve.

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tions, others firms might need financial forecasting tools or invoice management solutions. While needs vary greatly between firms, in general, a strong, cloud-based tech stack should integrate seamlessly and remove manual headaches and processes along the way."

Roth went on to explain the role that spend and expense management solutions can play in helping professionals become successful advisory accountants. "Spend and expense management solutions power data-driven analytics by improving visibility into cash flow. Legacy expense management solutions (think old-fashioned expense reports) only track expenses after the fact. These solutions don't offer the comprehensive visibility into spending and cash flow that SMBs need to run their business more effectively. In the same way that accountants can provide proactive advice to their clients using other CAS offerings, they can also utilize the latest in modern spend and expense management tools and services to offer their clients the solutions they need to succeed."

According to a recent survey conducted by CPA.com and spend management solution provider Divvy (which Bill acquired in 2021), 72% of small and midsize businesses surveyed said they're interested in a proactive approach to expense management, including matching anticipated expenses to budgets before the money is spent. However, only 34% of accounting firms are currently offering these services.

Ksiazek of Sage Intacct pointed to the importance of standardization, as well as the importance of leveraging a CRM system and data analytics, and went on to say, "The way that Sage Intacct assists accountants with their advisory practices is by offering a platform that not only is the technol-

ogy that they need but also a program that they need. So, from a technology standpoint, we have an accountant's console where the accountants are able to see their clients; they are also able to standardize items across their clients with templating." Through Sage Intacct, firms can also deliver strategic decisions based on multidimensional reporting and dashboard analytics.

Barnes of Wolters Kluwer Tax & Accounting said there are several factors for firms to consider when it comes to developing their tech stack and leveraging technology to drive greater automation, efficiency and real-time access. For instance, does the firm's tech stack deliver the following:

- A digital tax workflow;
- Workflow and budgeting tools, as well as forecasting solutions;
- Access to data analytics; and,
- Access to emerging technologies like predictive analytics and artificial intelligence.

Take, for example, the cloud-based CCH Axxess Suite. Comprehensive accounting, audit and tax compliance features are built on a centralized system to help firms drive efficiencies and further elevate client relationships.

The platform also includes CCH Axxess iQ, which can prove especially beneficial for firms looking to grow their advisory business. As explained by Barnes, CCH Axxess iQ "expands the firm's tax advisory opportunities by identifying, through predictive analytics, the clients that will be impacted by either new or changing federal and state tax law changes. So, it allows them to see that information directly within the platform."

### Identify the ideal clients

Not every client is the right fit for advisory. That's why becoming a successful advisory accountant also entails narrowing your focus and identifying

## SPOTLIGHT ON

### Sage Intacct



**Nicole Ksiazek**  
Director,  
Sage Intacct  
Accountants  
Program,  
strategy and sales

#### What is the most important step toward building an advisory-focused practice?

The most important step is to know and articulate the value that you are bringing to your clients. Advisory is the fastest growing area for firms, which means many are moving into this space; why should a client pick your firm and services over others? What is unique about your offerings and how can you help them with actionable insights in their industry?

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your ideal clients. When looking to identify the right clients, firms should consider such factors as:

- Does the client understand and appreciate the value being provided?
- Can they afford the fees?
- Are they willing to use the firm's tech stack?
- Is the client in the right industry or niche?

Miskowitz said that firms can better identify who is an ideal fit by assessing potential clients, and then documenting all of the factors they are evaluating when assessing those potential clients. This is the approach that Wiss has implemented for all leads and prospects that come into the firm.

"We really want to make sure: Do we have the expertise to service the client? Is the client willing to utilize our tech stack or are there other systems compatible with our tech stack that we're servicing? Can the client afford our fees?" he said. "And then we want to know a little bit more about the business: What are the company's plans for growth? Do the principals wish to operate the business or do they plan to exit? And then are there any other issues in terms of servicing the client that could cause delays or could create inefficiencies? Are there a number of technical accounting needs? Is there an audit requirement? We really want to understand the full scope of services the client is asking us to provide, but also the potential to provide additional services in the future."

When asked about identifying the ideal clients for CohnReznick's advisory business, Polakoff said, "We look for folks that see the value in what we are providing. Ideal clients see the possibilities of transforming their back office through a combination of industry-focused people, process and technology, and they see the ROI of a business partner that helps them to

achieve their goals and aspirations."

In addition to identifying the right clients for advisory, it is also important to be intentional with marketing and messaging.

"I think this idea of intentional marketing strategy, communication strategy, especially outside the largest firms, is going to be something new. It is going to be something they need to invest in. It is going to be something they need to think about. And it starts with making sure you have clarity around who you are and who you aren't. Who your ideal client profile is — so, who do we serve and who don't we serve, and then having a clear strategy around the type of services that align with that," said Merhib. "And, from there, I think it gets back to the blocking, tackling and fundamentals of a good, quality communications and marketing strategy around creating awareness and content in areas you want to be perceived as an expert. Talking and providing updates around the changing environment for those clients, and then starting to provide access to valuable resources that lead to conversations with those clients, that ultimately lead to sales opportunities."

For those who are now ready to take that step toward becoming an advisory accountant, consider starting small.

"Start small and grow from there. Make sure you have the ability to develop expertise. You can't be all things to all people and all clients but, I think, if we start small, if we are methodical about our process, at the end of the day we'll be able to achieve success," said Miskowitz. "So, focus on one or two different industries. Focus on two or three different services that you can offer to those industries. Get really, really good at delivering service and then consider adding a new industry, then consider adding a new service offering." **AT**

## SPOTLIGHT ON

### Choreo



Larry Miles  
CEO

#### What is the most important step toward building an advisory-focused practice?

Clients today want to work with trusted partners who can offer comprehensive support for every aspect of their financial picture. The most important step toward building an advisory-focused practice is establishing a foundation that empowers collaboration among tax-focused experts and advisors through integrated platforms and carefully curated tools. Using these tools to augment and scale technical knowledge can help provide more comprehensive solutions and enhanced relationship management.

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