

## Tomorrow's Firm—Think Big, Think Advisory



*Advisory and consulting services revenue growth was up in 2015 for 32 percent of SMPs according to an IFAC Global SMP Survey. The International Accounting Bulletin released its World Survey 2016 based on fee income and staff data of accounting networks and associations globally. This survey indicates that advisory services have been the star performer for professional services firms in recent years, and this is unlikely to change anytime soon. In this special write-up, the author highlights the professionally rewarding shift of tomorrow's firm to advisory services. Making the shift from compliance and number crunching, to advisory and consulting services, is not to be underestimated. Before a firm embarks on the journey, it needs to map out the best route. Read on to know more...*



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It is high time for the practitioners of the profession—whether they work at professional accountancy organisations or accountancy firms—that they reassessed the bigger picture by taking stock, and reflecting on, what the future holds for our great profession. How might it evolve to ensure it retains and reinforces its greatness as

# Special Write-Up

the provider of essential services that sustain and strengthen business and society? For the leadership of accountancy firms, it's an opportune time to consider whether, and if so how, to grow the firm—what are the opportunities, and what are the obstacles that might be in the way of realizing them?

## Advisory

Increasingly, firms are turning to advisory services as a way to differentiate and generate new revenue. Advisory and consulting services revenue growth was up in 2015 for 32 percent of SMPs according to an IFAC Global SMP Survey. Furthermore, as a recent Gateway article explains, 44 percent of respondents forecasted that fees from advisory and consulting services would increase in 2016 and beyond, a greater percentage than for any of the other three service lines.

The revenue growth in advisory and consulting services is striking especially in larger practices. The International Accounting Bulletin released its World Survey 2016 based on fee income and staff data of accounting networks and associations globally. This survey indicates that advisory services have been the star performer for professional services firms in recent years, and this is unlikely to change anytime soon. MGI Worldwide also notes that medium-sized firms are beginning to earn significant revenues from services that were virtually non-existent a decade ago, such as cyber security, data analytics, and regulatory advice.

Making the shift from compliance and number crunching, to advisory and consulting services, is not to be underestimated. Before a firm embarks on the journey, it needs to map out the best route. According to Amy Vetter, Global Vice President of Education and Head of Accounting USA for Xero, this demands addressing five key questions which I've refashioned as steps in making the transition:

### Step 1. Find a Champion

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**Management-level advocacy and endorsement is critical. There may not be a partner available to run the advisory practice, but there must be at least one senior-level staff member prepared to champion the shift to advisory and consulting. Most importantly, the leader will need to have visible passion and commitment as his or her success in leading will rest heavily on whether the team feels the leader's excitement.**



importantly, the leader will need to have visible passion and commitment as his or her success in leading will rest heavily on whether the team feels the leader's excitement. A common mistake firms make is qualified commitment, where the leader is asked to wear two hats: managing existing client work while launching the new advisory practice. Starting up a new service line requires time, energy, and focus. If a firm is serious about it, then the leader should be free to focus his or her efforts on building the new service capability and building enthusiasm among other staff.

### Step 2. Identify Suitable Staff

Do staff members have an interest in advisory and consulting services? The right people will need to have, or be able to acquire, the right skill set, both technical and soft, for advisory work. But they will also need to want to do it. The end of the busy season marks an opportune time for firms to conduct performance reviews and set goals including asking staff whether there are new areas that excite them. Firms can make or buy, that is either identify staff within the firm that are interested in and suited to advisory and consulting services, or recruit from outside. Auditors will

likely have honed the right skills for a smooth transition into advisory work. They're used to reviewing financial statements for anomalies, asking questions of the client, and have accumulated expertise and insights from having worked with a broad range of clients. Shifting to advisory is a natural evolution of audit work: instead of delivering a report, they can now discuss with the client the report in the context of improving their organisational performance.

### Step 3. Promote New Service

One might be tempted to kick-start a new service with much fanfare but a steady and deliberate build-up is likely to prove more appropriate. The firm needs to create a succinct and smart business plan and undertake market research. This will likely demand attending conferences and talking to potential clients, referrers, and other firms. Before making any announcement, the firm should invest the time to understand the target market, the service being rendered, and how to deliver it.

Give the advisory and consulting services leader appropriate time and space to develop the plan, avoiding setting key performance indicators (KPIs), like chargeable hour or revenue goals, until things get off the ground. Internal engagement will be key to success, so allow time for education and questions



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before going out to clients. Vetter offers various options for staff engagement:

- Review the firm's client list and discuss possible targets. New IFAC research indicates that SMEs most likely to purchase business advice are larger, younger, carry higher levels of debt or intend to obtain new funding, and exhibit higher growth rates or intentions to grow.
- Identify specific strategies that can help cross-sell advisory and consulting services and share those ideas across the firm. For example, suggest that tax or accounting managers flag client problem areas as they review financials and discuss these with the client.
- Conduct "lunch and learn" sessions with managers across the firm to demonstrate what the solution looks and feels like. They likely have clients that will benefit from the service.

### Step 4. Encourage Participation

The right incentives will need to be in place to encourage participation. The best way to start up a new service is to sell it to existing clients rather than seek new clients. There must be appropriate reward for those who have built the client relationship and gained the client's trust to consider new avenues. An expanding relationship will also invite concerns from the main client manager about their involvement including how they will be kept informed once an advisory project is underway. Have upfront conversations with those referring business to agree to how and in what detail they'd like to be kept informed about the project to ensure they feel comfortable. The firm will need to be flexible in how it works.

### Step 5. Seek Outside Help

Many small firms don't have a surfeit of resources to commit to doing some of the market research and planning legwork. Fortunately, there are outside resources available, such as firm growth programs, that can help firms develop a change management plan to move into advisory services and identify the necessary steps to achieve their goals. Firms can also decide to hire an outside advisory practice to work with them on their initial few clients until they are ready to go at it alone. Study and research the real life case studies of practices that have made the transformation. ■

*(Courtesy IFAC Knowledge Gateway)*