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TRANSFORMING YOUR ACCOUNTING FIRM:

FOUR STEPS TO A BUSINESS MODEL BUILT ON ADVISORY SERVICES

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Introduction

You've heard the arguments and seen the evidence in your own practice: Accounting firms must evolve in order to thrive today because their bread-and-butter offerings – accounting services, tax preparation, financial reporting – have been automated and commoditized. There is less of this type of work and fees are being squeezed.

And you've heard the oft-stated solution: Be a business advisor who provides high-value consultative services in addition to tax and accounting work. This is viable because, frankly, you already do it. While the bulk of your work is technical and tactical, you often provide your clients with expert guidance, new ideas and information on their strategic options.

There is a gulf, however, between doing this type of work in a random, piecemeal, one-off fashion and making it the centerpiece of your practice. To bridge that chasm, you must define and describe the scope of your service offerings, deliver this work consistently through repeatable processes, deploy best practices and monetize these efforts.

In this way, you can shift your focus from basic compliance activity that generates revenue based on the time spent to advisory services that generate revenue based on the value produced. That's not to say the tactical, technical work you do for clients is inconsequential.

Tax returns and monthly reconciliations are still mission-critical and must be completed expertly, accurately and on time. They are a key part of the value your firm delivers but, frankly, they are table stakes. They are the tail, not the dog!

In this guide, I will share with you four essential steps to help your firm towards more of a tax advisory business model that sets you apart from competitors, creates more satisfied clients, deepens customer relationships and increases your revenue and growth potential.

❶ Clearly Articulate the Scope of the Agreement

The first step in delivering advisory services to your clients is to decide and describe what's included and what's not. What services will you provide – and what will you charge – for conducting due diligence on a pending acquisition? Preparing a loan package? Debt consulting? Tax planning?

This step accomplishes several important things:

- It pushes you to identify the advisory services you offer, determine how you will deliver them, and establish fair compensation for the value delivered (not merely the time spent.)
- Enables you to describe and promote your services with specificity.
- Establishes clear expectations for your client regarding your work and deliverables as well their responsibilities – to provide certain documents or information by specific deadlines, for example.
- Begins to shift your practice's focus from transactional activities and tactical execution to a consultative advisory approach.

Your scope agreement needs to explicitly describe the work that is included as well as the work that is not. This needn't feel curt of punitive. Simply list those items not included in the project under the header Additional Fee Services. In this way your client knows what is available and can confirm that the scope includes the items you jointly agreed upon based on their needs. If additional services are found to be needed after a project has started, they can be added through a change order.

This clarity has an additional benefit within your firm: Your team will be more efficient because they won't arbitrarily make judgment calls to do additional work – due to a client request or their own initiative -- that is outside the scope of the project. Without a scope agreement, this "extra" work may cause delays. Also, it may go unbilled or team members may be tempted to bury the charge in another invoice to eke out some compensation for the firm – not the kind of obfuscation you or your client wants at the core of your relationship.

Establishing the scope of the agreement also makes it easier to field questions that are out of scope. If a client asks whether they should incorporate, you can offer to develop and share an analysis of their options and the costs and benefits of each. If they decide to proceed, the analysis is the first step in the process of creating a new scope of work.

❷ Develop a Duplication Workstream

This step naturally follows from the effort to define the scope of your services, and ensures your team performs consistently by doing the same work the same way every time. This type of duplication should be deployed for both compliance and advisory services.

Consistent processes and deliverables enable you to create clear roles and responsibilities for team members, provide on-target training, delegate work, manage client expectations, measure productivity and assess workflow. As a result, firms can operate smoothly without the leader's constant oversight – creating time to engage with clients strategically, develop new offerings to meet their needs, increase focus on business development and strengthen professional development.

Delivering consistency has three benefits:

➢ Capacity: In this model, team members follow the same process consistently and work in their areas of expertise – so they are efficient and deliver excellence.

➢ Communication: It's easier to report on the status of a project, assess workload and allocate resources when you know precisely what work is required to finish the job.

➢ Conversation: Operating efficiently and communicating effectively creates "white space" for conversations with clients about their businesses, goals, challenges and opportunities – information you need to be a good advisor able to understand and advance your clients' priorities.

Your firm is selling expertise and professional guidance, so the work can't be completed capriciously or change on a whim. It needs to be consistent and repeatable regardless of which team member is doing it. Scientists have the scientific method and good restaurants follow recipes. You need the equivalent.

❸ Codifying Best Practices

Once your team is producing work in a consistent manner, you can establish best practices based on these processes and the knowledge and expertise that inform them. Start by confirming, documenting and codifying the way your firm tackles essential activities.

Best practices are built upon your firm's collective knowledge, unique experience and areas of expertise. They are part of your culture and part of your product -- and they're critical to delivering high-quality work that creates customer satisfaction and reputational eminence for your firm.

Best practices can focus on many mission-critical activities including:

➢ Client onboarding and education – An advisory-centric approach requires consensus up-front regarding the desired outcome, precisely what the firm will do to achieve it and what's expected of the client. Successfully laying this groundwork ensures everything runs more smoothly.

➢ Service-level resources – Catalogue your standard approaches, answers to common customer questions and informational resources and make them available to all staffers on an internal portal. This ensures processes and best practices are followed, and the materials are easy to update and expand.

➢ Staff education – Establishing best practices for professional development enhances employees' performance and supports their growth and advancement.

As part of your focus on cataloguing best practices, it's helpful to train team members to bring forward processes that need documentation and questions they receive that should be added to internal FAQs. It's important to include everyone in the process and to emphasize that adopting new approaches is not a criticism of the way individuals or the firm operated in the past. It's simply part of establishing a culture of continuous improvement for the benefit of the firm and its clients.

❹ Monetizing Advisory Services

At this stage, your firm clearly details the scope of agreements, deploys repeatable processes and identifies, codifies, documents and uses best practices. Now, it's time to ensure you are appropriately compensated for the value that you -- through your knowledge, expertise and guidance -- create for clients.

There are three things you need to monetize within your advisory services:

➢ A Clear Goal or Outcome – What is the endgame for the project or engagement? On the front end, work with your client to clearly identify the desired result or impact of the work. This outcome can be detailed in the scope of work. It is an essential part of the value you will deliver and be compensated for.

➢ Product or Service Delivery – Thanks to your work on scope, it will be clear what work you will do and what you will be paid for it.

➢ Facilitation – A great deal of your work in advisory services involves client education and project facilitation. This type of service requires exploratory conversations, evaluation of options, building consensus regarding the work required and strategic guidance. Your firm may not do all the work required on a given initiative -- an entity formation, for example -- but you will facilitate the project and coordinate the work to ensure the right outcome is achieved.

A final insight when it's time to talk money: The first thing people hear creates the context for everything else. It's the basis for judgments and comparisons. In early discussions with a client, start by describing the value to be delivered, not the cost. This establishes the framework for the later discussion of fees. And it's a critical component of your firm's transformation to an advisory services business model – shifting everyone's mindset to focus on value.

Conclusion

Transitioning your practice to an advisory services model requires you to shift your perspective, revamp internal operations and build marketing and client relationships around your strategic and consultative offerings.

You'll know you are moving in the right direction when you have clarity regarding the scope of your services, consistent processes, pricing that reflects the value you deliver, and customer conversations that address future needs and not merely an accounting of past performance.

Real World BizDev Examples

Use new tax rules, such as the Tax Cuts and Jobs Act or the Wayfair ruling, to engage with affected clients and prospects.

When regulations change, do your homework so you can educate your clients about the implications for them and their options and opportunities.

Scope: Based on your clients' needs, determine your offering. Will you perform a situational analysis to inform the plan? If the analysis points to an action, is that work part of the package or separate? Remember to be clear about what is not included. For example, if the new regulations make it beneficial to change entity type, is that work included? There's not a right or wrong answer; the point is to be clear, avoid misunderstandings and effectively manage expectations.

Duplication workstream: In a regulatory or rule change scenario, develop two workstreams: opportunity identification and work execution. Map out a plan for your team to tap and share the knowledge needed to assess the impact of the change, identify affected organizations and develop an offering. From there, create tools that can move the processes forward – for example, a script for selling and a checklist to ensure work is managed efficiently.

Best practices: Once you know what you're likely to recommend to clients, assess whether any of your existing best practices are relevant and can be applied. If not, develop new ones based on your knowledge, expertise and past experience with similar issues.

Monetization: Regulatory changes often have a straight-to-the-bottom-line impact, which makes it easier to pinpoint the value you are delivering. Leverage this in your customer communications by visually showing the impact of adapting to the new regulations in the most beneficial way. After the value is seen and understood, give your price – knowing that your duplication workstream will drive your margin and capacity.

Develop industry-specific expertise in growing markets, such as the emerging cannabis sector.

Target industry segments that are healthy and growing, have unique tax or accounting needs and are prevalent in your service area.

Scope: With an emerging industry, such as cannabis, regulations vary between states and at the federal level. Expertise in navigating and exploiting these variations can be a valuable part of your offering, but decide upfront the extent of your services related to jurisdictional differences.

Duplication workstream: While an industry might be new to your firm, business cycles and owners' concerns are likely to be consistent with other sectors. Go to your existing playbook for these workstreams.

Best Practices: The same point applies here: Leverage your existing best practices and adapt as necessary. In the case of cannabis, you may need to develop new practices related to the industry's unique banking issues and transaction frequency.

Monetization: In an emerging industry, domain expertise advantage. The scarcer the knowledge, the more valuable it is. As you marry your technical ability with market-sector expertise, your confidence in monetizing advisory services will grow.

Following business cycles – incorporation through succession.

Perhaps the greatest opportunity to be advisory-centered is to follow your customers' business cycles and maturation. To do this successfully, it's important to understand who they are today – a startup, a stable, established business, a company in need of investment to fuel expansion – and where they want to go. Be a trusted partner by staying a step ahead and providing proactive guidance on their next stage.

Scope: When you are dealing with business cycle changes, it's critical to separate advisory and compliance work. An entity change, for example, will likely require additional payroll work and tax returns – but that wouldn't be included with the advisory services. That must be clearly laid out.

Duplication workstream: Your focus starts with internal education. These business-cycle scenarios are common, so your team needs to be adept, see them coming and take them in stride.

Best Practices: The key here is to not assume a task or tactic is too basic to include. The stakes are high for your customers, so it's best to over prepared and sweat the small stuff.

Monetization: Don't let the frequency and familiarity of these activities cause you to minimize their importance or value. They are likely not frequent or familiar to the business experiencing them. Well-timed and well-executed management of business-cycle transitions is critical to a company's long-term success, and they will gladly compensate an advisor who helps them make the right moves the right way.

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Serving as a Product Manager - Advisory in the Tax Professionals segment of the Thomson Reuters, Will has been with Thomson Reuters since 2001. Will has spent many years working with firms in a consultative capacity, and developing services for Thomson Reuters to aid in the growth and transformation of tax and accounting firms – including the Practice Forward program. Will has twice been recognized by the CPA Practice Advisor in the “Under 40” lists. In his present role Will continues to look for opportunities to help firms transition to being “Advisory Centric” in their client relationships as they grow their business. Will is a periodic blog contributor on the tax.tr.com website, and along with Paul Miller is also the co-host of the weekly podcast “Pulse of the Practice.” He holds an MBA with a concentration in Leadership Studies from Baker College and a BA, majoring in both Business Administration and Economics, from Alma College.

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