Bridging your compliance and advisory gap

White paper

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Advisory is a far cry from just a buzzword. It's real. So, what does that mean for compliance and how can your firm bridge the gap between compliance and advisory?

Anyone who has been in the tax and accounting profession for any amount of time knows that the increased focus on business advisory services has been a growing trend for years. In fact, research by Thomson Reuters Institute found that 95% of tax professionals believe their clients want business advisory services, and 69% expressed a "strong" desire for such help.

And advisory services don't need to be a hard sell. Clients want them. An August 2021 article from the Journal of Accountancy referenced a CPA.com survey that showed at least 29% of respondents said they needed advisory services.

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In addition, a separate survey by CPA.com, Bill.com, and Hinge Research Institute, found that strategic advisory services present one of the most important growth opportunities for firms. The research found that firms may be able to increase monthly client revenues by up to 50% by offering them.

Does this mean that compliance is a thing of the past? Not at all. But it does mean that compliance is changing. Firms looking to shift away from a compliance-based model in favor of higher-value advisory services must understand how to bridge the gap between compliance and advisory. This requires both internal and external adjustments.

Shifts in compliance

Even with all the advisory hype, it's important that you maintain your focus on compliance work. The reality is that compliance work is still a critical need. Compliance work has changed contextually, however, and continues to do so.

In many ways, compliance is becoming more of a communication tool or a "status check" for businesses. It says to the business client, "This is where you currently stand." The true value, and your differentiating factor, is in helping clients achieve their goals through advisory services.

And, perhaps to the dismay of some, it seems the shift in compliance is not yet over.

In recent years, the accounting industry has continued to see technology evolve and push at an even faster rate. And regulation changes will undoubtedly continue. Some experts believe that the industry will continue to see a shift in compliance work about what matters and what's automated. So, for all the changes that have come about already, the shift is likely not complete.

For firms, the key is better understanding clients' wants and needs, and effectively bridging the gap between compliance and advisory.

Internal Adjustments

Traditional compliance-focused firms may find that one of the biggest hurdles in shifting to advisory services is the change management that must take place within the firm. Bridging the gap between compliance and advisory requires a change in mindset. And change isn't always easy.

In order to successfully deliver advisory services some of the industry's longstanding beliefs must be challenged.

In a blog post on making the move to advisory services, Charles Hylan, a shareholder with consulting firm The Growth Partnership, was quoted as saying that he believes in order to successfully deliver advisory services some of the industry's longstanding beliefs must be challenged. According to Hyland, these include misconceptions such as:

- Cross-selling is pushy;
- CPAs are trained to find past mistakes, not to recognize new opportunities; and
- The compliance nature of the work encourages practitioners to look backward, not to the future, as they serve their clients.

When thinking about the internal adjustments that are needed one could essentially break it down into five buckets: focus, emphasis, personal value, motivation, and execution. Let's take a closer look:

Focus

What is the focus of the compliance work? It is shifting from hitting a deadline to making sure the client is on track with their desired goals.

Emphasis

How much does your staff internally talk about advisory? Do you only hammer the compliance data, or do you talk about the client's goals — the client relationship as a whole?

Personal value

Different team members value themselves in different ways. They see the value they bring to the firm in specific aspects of the business, and it doesn't always include relationship-building with clients.

If you're trying to make an adjustment in your firm from a compliance focus to an advisory focus, and you've got team members that seem to be resistant to the change, ask them where they feel they bring the most value to the firm.

If all their answers revolve around the compliance side of the business, it might be worth having a conversation to help expand their view about what they can truly bring to the table. That by understanding transactions and providing insight to help the client make better business decisions, the opportunity exists to create a much more meaningful and beneficial relationship.

Motivation

Motivation boils down to being transparent. Those firms that are the most transparent with staff will see the greatest success in their shift to advisory. This means that the firm leadership is transparent with the entire staff as to why this shift is happening, whose roles may shift, whose roles may stay the same, etc.

Another factor to consider, as it relates to motivation, is if the firm is subconsciously de-emphasizing or de-motivating advisory. For example, does your firm pay bonuses to compliance staff for how many returns they get out the door? If so, the emphasis will not be on finding those advisory opportunities, but rather on how many returns are being completed. Take a moment to uncover any subconscious de-motivators that may be built into your firm and make a change.

Firms still looking for help in effective change management may want to refer to the 8-Step Process for Leading Change developed by Harvard Business School Professor and Author John Kotter. As outlined by Kotter, the steps include:

1. Create a sense of urgency
2. Build a guiding coalition
3. Form a strategic vision and initiatives
4. Enlist a volunteer army
5. Enable action by removing barriers
6. Generate short-term wins
7. Sustain acceleration
8. Institute change

Execution

Given the push for more profitable advisory work, compliance work still needs to get done. But how can the firm execute the work more efficiently? Enter automation. When firms understand that their value isn't in the details of the work, but rather in the client's broader story, they are likely to be more open to leveraging automation technology.

As noted in the survey by CPA.com, Bill.com, and Hinge Research Institute, "Automation can create new opportunities for accounting firms to charge higher rates — if their clients understand the value that technology and automation bring to their services. Automation technology enables accounting firms to better deliver on their experience and expertise, focus on servicing accounts, and provide strategic guidance and insight to their clients."

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"As we shift our orientation to theirs, it's less about the timeline and more about the accountability. Are we making progress towards [their goals]? If we're not, what shifts can we make, or what suggestions can we give, so that we can make progress towards whatever those goals are?" said Chris Papin, owner of the firm Papin CPA, PLLC.

External Adjustments

Successfully bridging the gap between compliance and advisory also involves setting client expectations and making the necessary external adjustments. Client communication is a great opportunity to listen and better understand the client's needs and concerns, and to set expectations accordingly.

When thinking about the external adjustments needed for those firms moving their focus to advisory relationships rather than just compliance work, it may be helpful to break it down into three parts: how you market, how you engage, and how you service.

How you market

The thought of marketing might make some accounting professionals uncomfortable, but it really boils down to thinking about the external message. Conveying the right message is what's going to open the right doors for advisory.

If all the firm talks about externally is compliance work — come see us for your tax needs — if that's all current and prospective clients hear, that's the expectation that you set. So, it's important for you to start thinking in terms of the message you want to send and the kind of services you truly want your firm to provide.

And keep in mind that any communication your firm has, or the way in which your firm speaks to existing and prospective clients, falls under the marketing umbrella. For example, if there's a regulation change then let clients know that you've heard about the change, and you're processing what needs to happen. That's all marketing.

How you engage

One of the more effective ways to shift the way you engage clients is to start with the next new client you onboard. This will eliminate the need to transition that client down the road.

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Furthermore, the advisory services, the client goals, should be included within the engagement. Why? If you strictly engage around the tax return and financial statements, for example, it's going to take a lot more work to change their expectation of how you can truly help them and provide greater strategic value.

How you service

When it comes to client service, it is important to remember that it is about servicing the clients and their goals, not servicing the tasks and the deadlines.

So, when you're thinking about the next conversation that you're going to have as you service that client, think about how to shift it away from a pure compliance conversation to a conversation centered on their goals.

It is also important to truly listen to your clients. They may not know what to ask for, or how to ask for it, but try to hear what they are really saying. What do they really need or want? Ask questions to get to the root of their needs.

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"Listen to the client. They'll tell you what the problem is if you'll just listen. But nine times out of 10, I get something to the tune of a new client sitting on the couch. 'Hey, Chris, the last person we worked with, I don't think did anything wrong. I think the returns are good work. We'd meet with them when we filed a return. They'd tell us two or three things, and then I'd never hear from them for a whole year.' What the client just asked for were meetings. They didn't ask for it," said Papin. "They don't know what to ask for. Therefore, insert yourself."

It's important to build on the trust you've developed with the client and to not be afraid to ask for feedback.

Success

How do you gauge success? Success is seeing the relationship value proposition come to life. This means you see the following:

Clients are identifying your key value in something besides the tax return first. Ask your clients what they think. Where do they see the value that you're providing? If their initial response is something other than the tax return, then you're seeing success in the value that you bring.

Your team understands how their daily role connects to customer success, not merely a completion of tasks. If they can connect the dots, that's a win-win for your firm internally, and it is essential in sustaining the transition to advisory and successful execution.

Clients can connect your help with their goal achievement. When the client realizes that they're finally achieving their goals and they know that your advice has helped them get there, then you know that you've secured solid success in that relationship value proposition, and the tying of advisory and compliance has been successful.

When thinking about success, Papin added that it's important to build on the trust you've developed with the client and to not be afraid to ask for feedback.

As Papin explained, "Is this conversation helping you? Am I giving you suggestions that you are using, rather than slide decks, that you're probably never going to open again? And that's where I think a real value proposition is, and I think it's a huge win for things we do with our firm."

Conclusion

Looking ahead, the industry can expect to see a growing number of firms shift from a compliance-based model in favor of higher-advisory services. This, however, does not mean an end to compliance. Compliance will continue to exist. Compliance will remain important. What it does mean is that compliance is changing.

Those firms that understand this change and recognize both the internal and external adjustments needed in order to effectively bridge the gap between compliance and advisory stand to reap the greatest benefits. Is your firm among them?

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