

2021/2022

GLOBAL ADVISORY TRENDS REPORT

*Are you on board with where the accounting
profession is heading?*





Richard Francis FCA

CEO and founder of Spotlight Reporting



The advisory journey is one of relevance and impact for so many firms with one eye to the future. How, as experienced professionals, can we remain as relevant as possible to our client base, and how can we change lives? What services should we offer and what do we need to do differently to juggle our demands and resources?

Having a consequential impact was what drove me to offer advisory services at my own CA practice, having led the charge within a Big 5 firm back in the day. Being able to utilise my passion, full range of experience, and expertise to provide value was a game changer—and this survey shows that the vast majority of accountants and advisors share this passion. To provide strategic direction, future-focused forecasts, digestible action plans, performance analyses, and other customer-centric services helps our trusting clients to not only survive, but thrive.

I hope you find this survey interesting and helpful as you look to your own future and trajectory. I salute you all and the important work you do every day.

Richard Francis



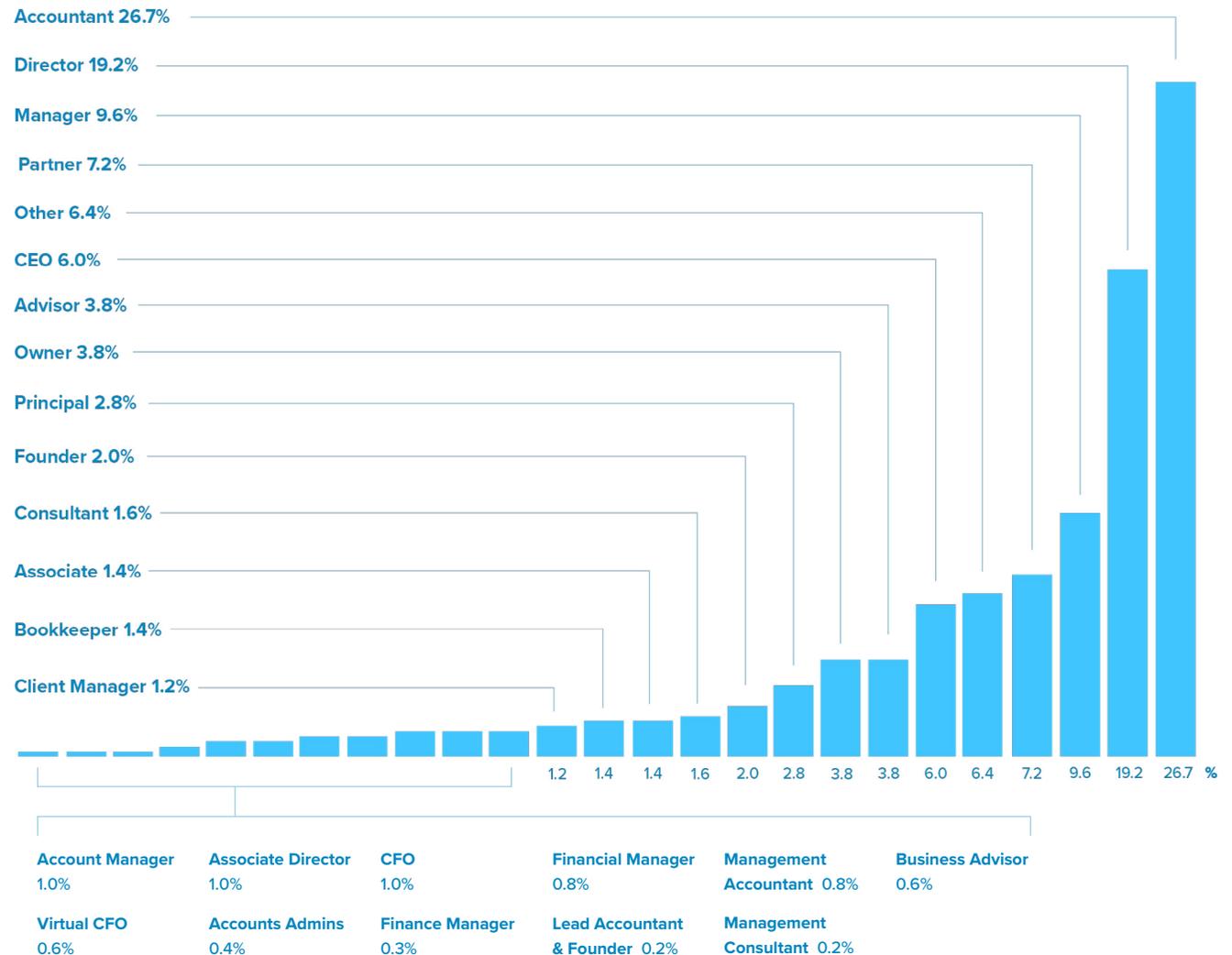
Table of contents

About this survey	4
Key takeaways	5-6
<i>Survey: what is the outlook across accounting firms and what services are being offered?</i>	7-8
<i>Survey: how many firms are offering advisory services, and do they want to offer more?</i>	9-10
<i>Survey: current revenue vs. future revenue</i>	11-13
<i>Survey: fee growth</i>	14-16
<i>Survey: what's happening inside accounting firms</i>	17-19
<i>Survey: biggest challenges for accounting firms in the next 12 months</i>	20-21



About this survey

- To understand where the accounting profession is heading, Spotlight Reporting collected 600 responses from accounting professionals around the world to ask how their firm was operating and what they were going to focus on doing differently in the next 12 months.
- Respondents were from New Zealand, Australia, Asia, the UK, USA, Canada, and South Africa.
- Data was collected from July 2021 to August 2021.





Key takeaways



Attitudes towards advisory are changing, but accounting firms are struggling to deploy at pace

Economic uncertainty created by the pandemic has accelerated the need for advisory services worldwide. The role of a trusted advisor has never been so vital in helping clients make prudent financial decisions in difficult and unpredictable times. A year and a half since the pandemic changed the global landscape irrevocably, the data shows that many

firms think they could be providing more value-add services and want to – they understand how critical their services are for their clients and they are generating revenue streams from it. But equally, a large majority of firms aren't where they want to be and are struggling to have the business model in place that they most desire.



Diversification is happening and new services are offering choice

There is an acceleration of global accounting firms who are diversifying service offerings beyond tax and compliance services. Revenue is being generated throughout all seasons, without reliance on just the tax season and annual compliance flow. We are seeing a broader range of value being provided through services like management reports,

budgeting and forecasting, and strategy and mentoring, which will help with client retention and satisfaction, while having a positive impact on overall revenue.



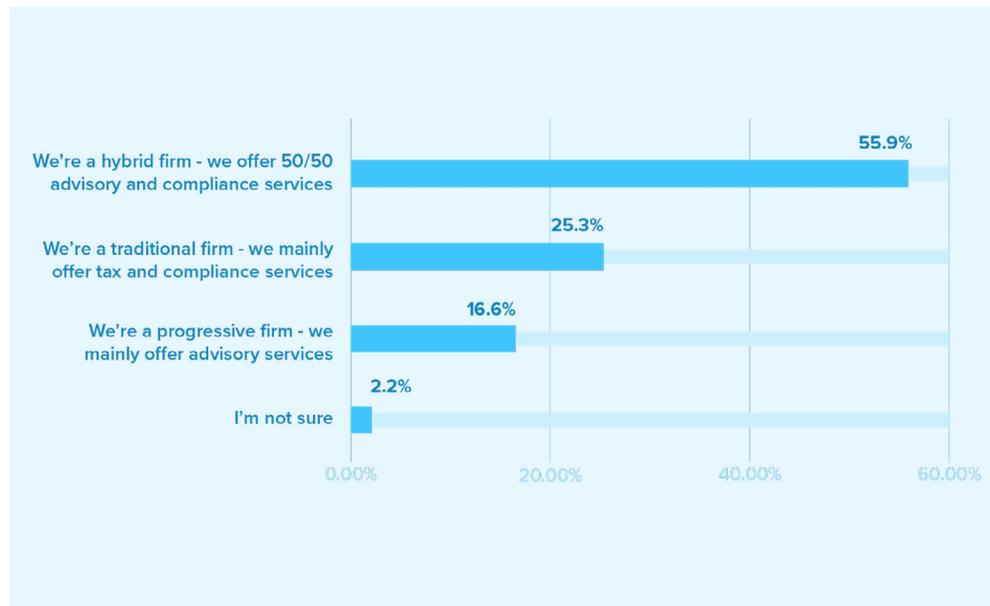
**The war for talent continues
– and some practices may be
better placed to win**

Firms continue to be challenged by the availability of good talent and attracting them in the hiring process. Firms with a strong brand, and those who have embraced technology, provide additional services to clients, and have work-life balance, will benefit from stronger retention of staff, and attract higher calibre candidates.

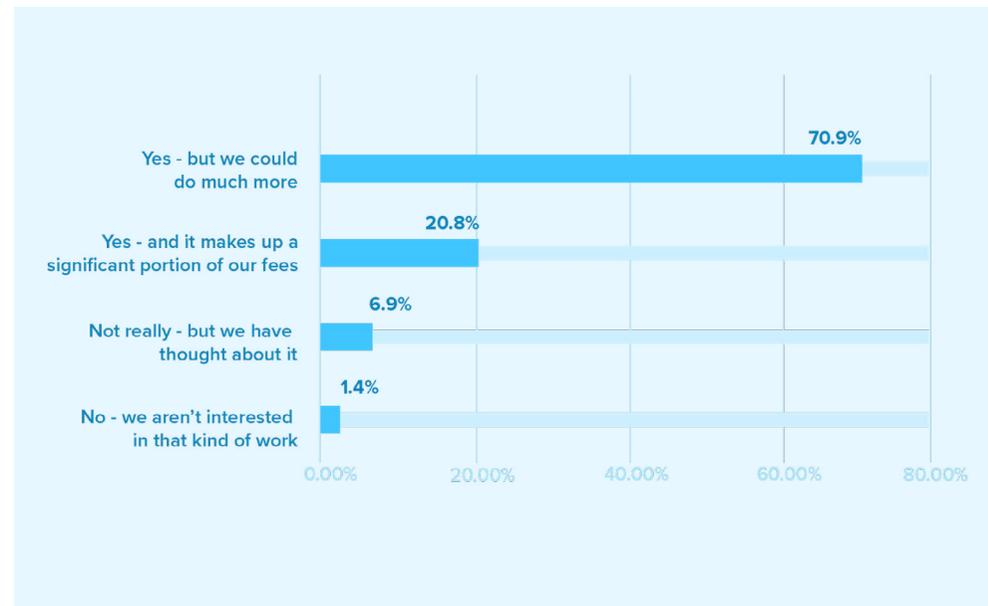


What is the outlook across accounting firms and what services are being offered?

Where does your accounting firm sit in terms of **outlook and services** you offer?



Do you provide **management reporting, mentoring, forecasting** or similar work?





More firms are providing advisory than ever before

The current advisory boom shows an increasing number of firms taking advantage of new opportunities to add more value for their clients. 72.5% of respondents have identified themselves as being part of hybrid or progressive advisory firms. Businesses will always need help with compliance work, but in our survey, only 25.3% of firms say they are traditional in the sense that they mainly offer tax and compliance services. Only 1.4% state that they aren't interested in advisory work at all.



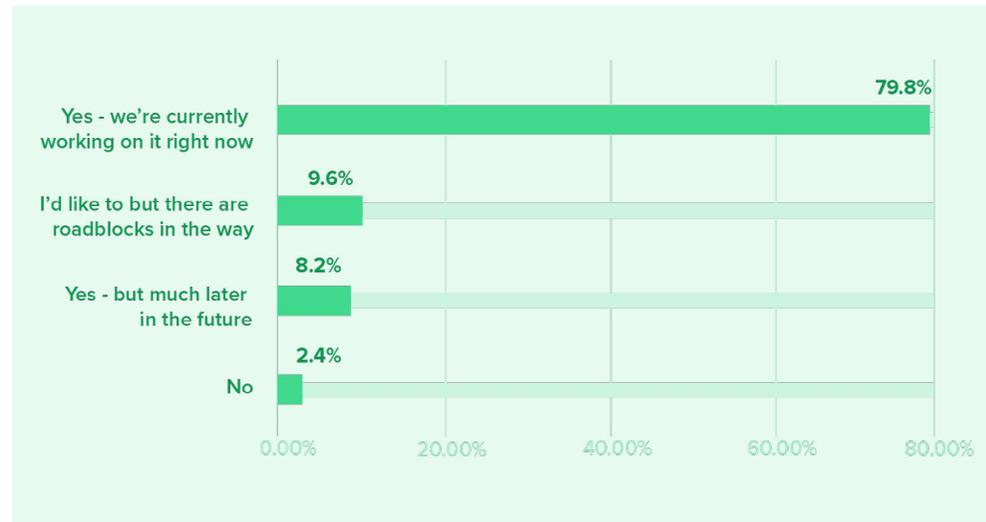
Value-add services – firms acknowledge they could do much more

At this point, the question is no longer **if** firms are providing value-add services like management reporting, mentoring, forecasting or similar work, but rather **what** services deliver the best ROI: a whopping 91.7% of respondents said they already offer advisory services in their firms! Specifically, 20.8% derive a significant portion of their revenue from these value-added services, while the remaining 70.9% of respondents said they were providing advisory, but wanted to do much more. We expect more accounting firms to develop expansion strategies for their service offerings and make this a priority for their clients in years to come. In addition, client-led pressure to offer more and **be** more is likely to accelerate.



How many firms are offering advisory services, and do they want to offer more?

Do you plan on offering advisory services or doing more of it?



We are witnessing a new era of advisory services

Over the past few years, advisory services as a serious component of an accounting practice offering has become much more widespread. 79.8% of our

respondents say that they are already working on advisory services right now and 8.2% plan to offer advisory services in the future.

This is compelling news if you consider how many firms were proactively offering and marketing advisory 10 years ago.



It's an uphill battle for some (but not as many as you may think!)

While 79.8% of respondents are currently working on offering advisory, 9.6% say they face significant roadblocks. Anecdotally, the Spotlight team feels that the push-back against advisory services by some is much less than it once was – as the numbers indicate. Just as some industry voices and old guard practitioners railed against cloud software back in the day, so too do the advisory laggards today look like an increasingly out-of-step cohort. Thankfully they are

much less of a roadblock to change than was once the case, with environmental and resourcing challenges much more likely to slow the pace of change down.

Common roadblocks include:

- //// Lack of time / headspace
- //// Not knowing where to begin/which clients to begin with
- //// Not understanding current service trends / what to offer
- //// Lack of confidence around pricing / monetisation.

At Spotlight Reporting, we have seen firms who have been able to successfully overcome these obstacles – key to their success is moving quickly and not waiting for perfection to land.

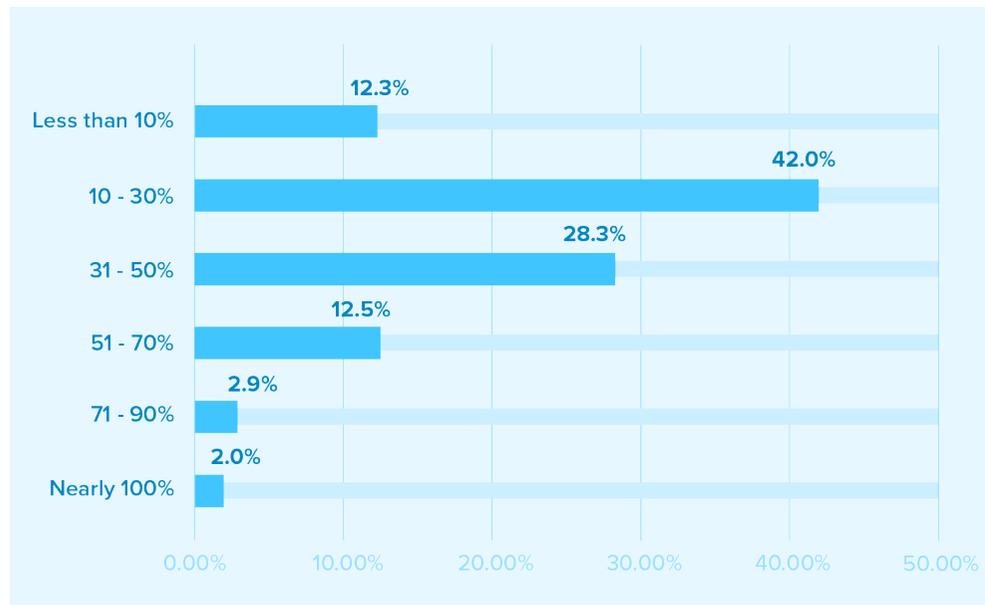
The most successful accounting firms are the ones who:

- //// Invest in the right resources and training
- //// Have close and ongoing customer conversations; not just at year end!
- //// Empower their teams with the time and bandwidth they need to make the switch
- //// Build change management into their core KPIs
- //// Put systems in place to hold themselves accountable and build momentum.

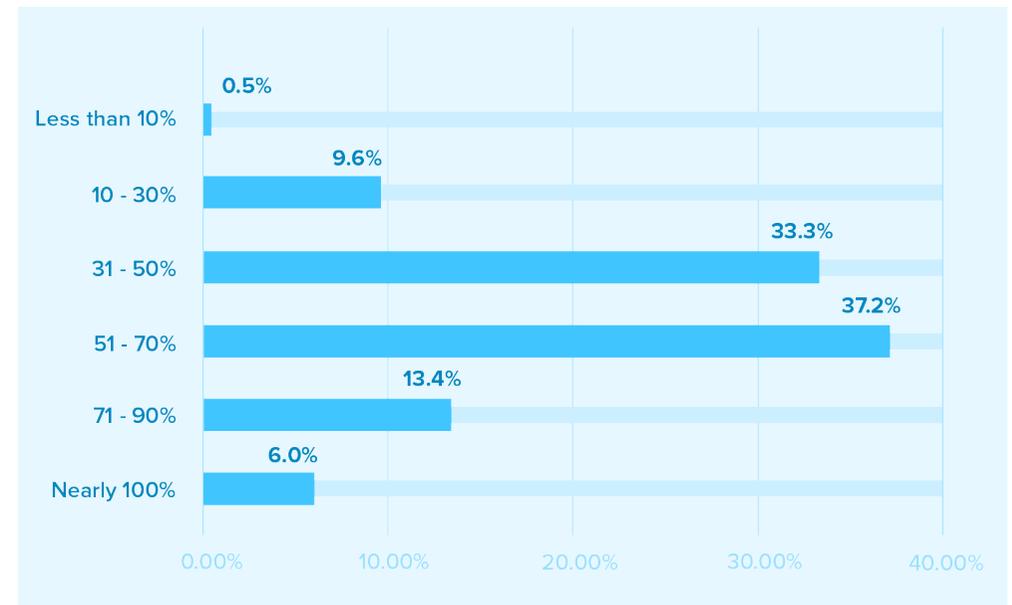


Current revenue vs. Future revenue

How much of your **current revenue** comes from advisory work?



How much of your **future revenue** would you like to come from advisory work?





Accounting firms will not be leaving any fees on the table – future advisory revenue is set to increase for the large majority

Currently, 42% of respondents at accounting firms are generating 10% - 30% of their revenue from advisory services. Slightly below this are the next group of respondents at 28.3% who are currently generating 30 - 50% of their revenue from advisory. This is

an impressive result and shows a shift from 'occasional extra project' level of fees to advisory work being embedded in core offerings for clients.

There is a strong belief that firms can do more and earn more from advisory service offerings. An impressive 37.2% of firms are targeting a whopping 51 - 70% of their future revenue to come from advisory work and another third want future advisory revenue to fall between 31 - 50% of their work. Only 0.5% of respondents want advisory to make up a small part of their fee revenue.



Those who want it the most will just do it

Success comes to the firms who are hungry, urgent and proactive. These firms set goals, track advisory revenue, have a revenue and sales strategy and are customer-centric in their business model evolution.

The fundamentals of being able to pitch and close advisory services to clients is sometimes a challenge, but training, advice and the right software can make



a big difference. Few firms are where they want to be and know they can aim higher, which speaks also to the passion and desire for relevance and impact that drives many of the best accountants and leaders in our industry. To get there, firms know it is crucial to hire well, train and develop their talent, have courageous conversations with clients and have a viable tech stack that continues to allow them to get more done in less time. In addition, they need to have the right-sized packages, monitor for scope creep, and limit free services in order to maximise their revenue.



Expect revenue strategies to focus on capacity to deliver future revenue targets

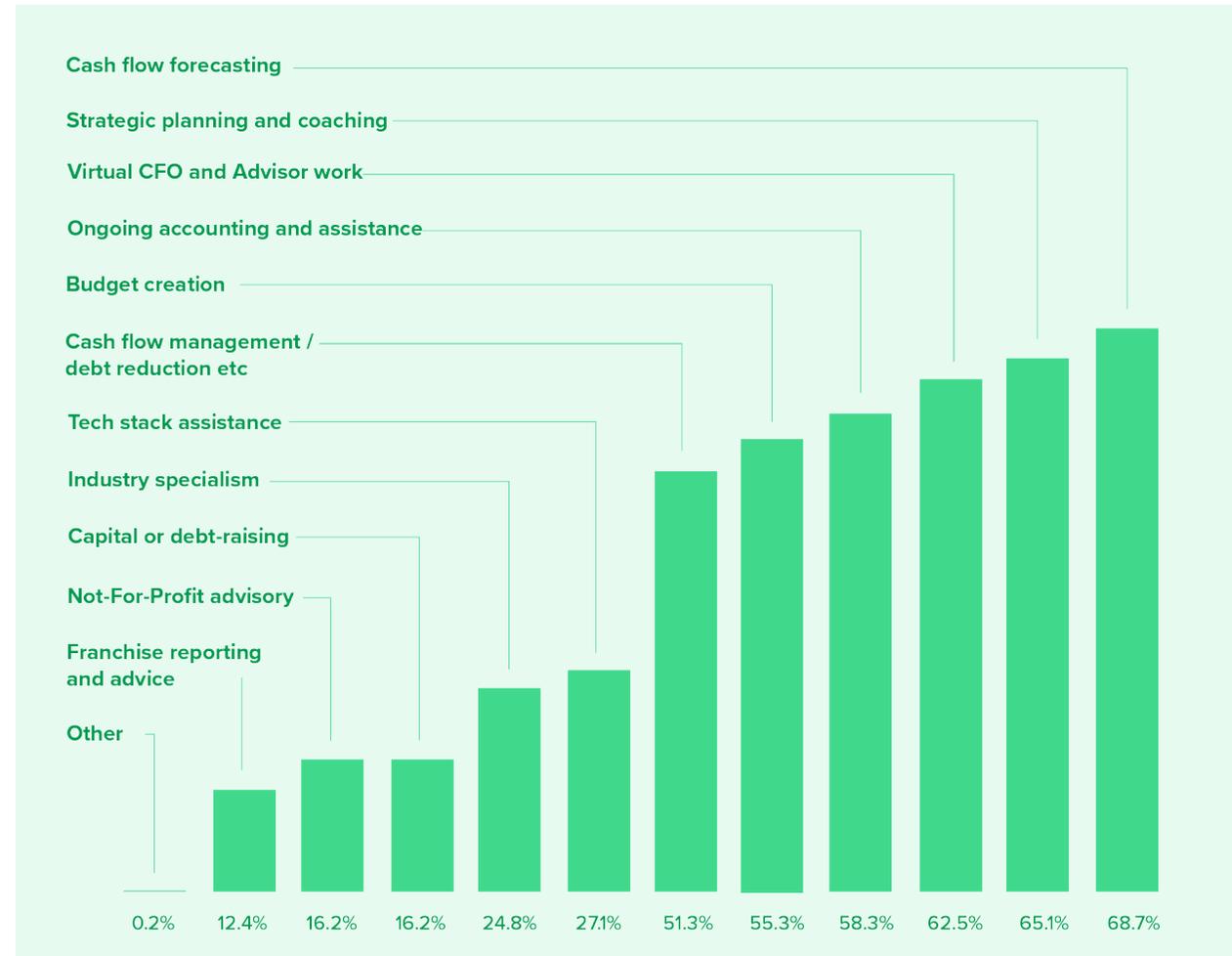
More and more firms (big and small) may split compliance from advisory and create two different teams. This will also mean recruiting differently for each team, although the expectation is that they will work together at an overarching level. As it becomes harder to find people to fill the right roles, the separation of the

two categories will allow firms to focus on hiring people who can do one or the other (not necessarily generalists doing both) and track and meet distinct revenue targets.



Fee growth

What fees would you like to grow in the next 1 - 2 years?





Industry evolution and the pandemic is driving growth for the top fee categories

Most accounting firms have been very aware of the evolutionary momentum in our industry towards cloud-driven efficiencies and opportunities, as well as having an open-minded view of what being an accountant in the 21st century can mean. Traditional boundaries and mindsets are shifting and we can see this in the outcomes of this survey.

As the pandemic continues to have a global economic impact, we are seeing an acceleration in the need and desire for cash flow forecasting. Indeed, cash flow

forecasting and advice has worked its way to the very top of the priority list with 68.7% of respondents stating this is the fee stream they want to grow most in the next 1 - 2 years.

This survey result shows a change in industry attitudes as well as the recognition of the opportunity provided by forecasting software providers to save time and effort, reduce manual data entry risk and to provide good-looking and digestible outputs. We have come a long way from the days when forecasting was seen as a 'dark art' performed by a team member or two who were Excel pivot table masters, and sprang into action when the bank needed a forecast.

At Spotlight Reporting, we've always stood by our motto of "every single business deserves a cash flow forecast", so we're pleased to see it has gone to top position!



Training and upskilling are seen as a critical part of a firm's fee growth and revenue strategy

Strategic planning/coaching is the second highest service that firms want to grow, with 65.1% ticking that box. Nestled closely behind is Virtual CFO Advisor work at 62.5%. These are obvious choices that recognise not only that most accountants should be well placed to adopt a more defined and proactive Virtual CFO service for clients, but that the more experienced practitioners are seeking to deploy their many years (or in some cases, decades!) of expertise and experience more strategically. Coaching



clients towards desired outcomes is not only an obvious stance to take as an accountant, but a valid and valued position in the world we live in now.

A related trend we are seeing is the prioritisation of training and upskilling for team members so they can deliver these services at speed and scale. Developing commercial acumen in the strategic planning/coaching space and Virtual CFO advisory space will see firms creating or looking to get the best training possible in order to accelerate that fee growth.



Talent and recruitment strategies will be essential to unlock fee growth

Firms may find it beneficial to hire experienced professionals who have a demonstrated history of offering

services such as cash flow forecasting and strategic planning to help increase their fee revenue, however, the difficulty will be in hiring the right people, and retaining them. The other focus and priority will be on partners in the firm to confidently sell these services to clients and communicate their intended value at the right price.

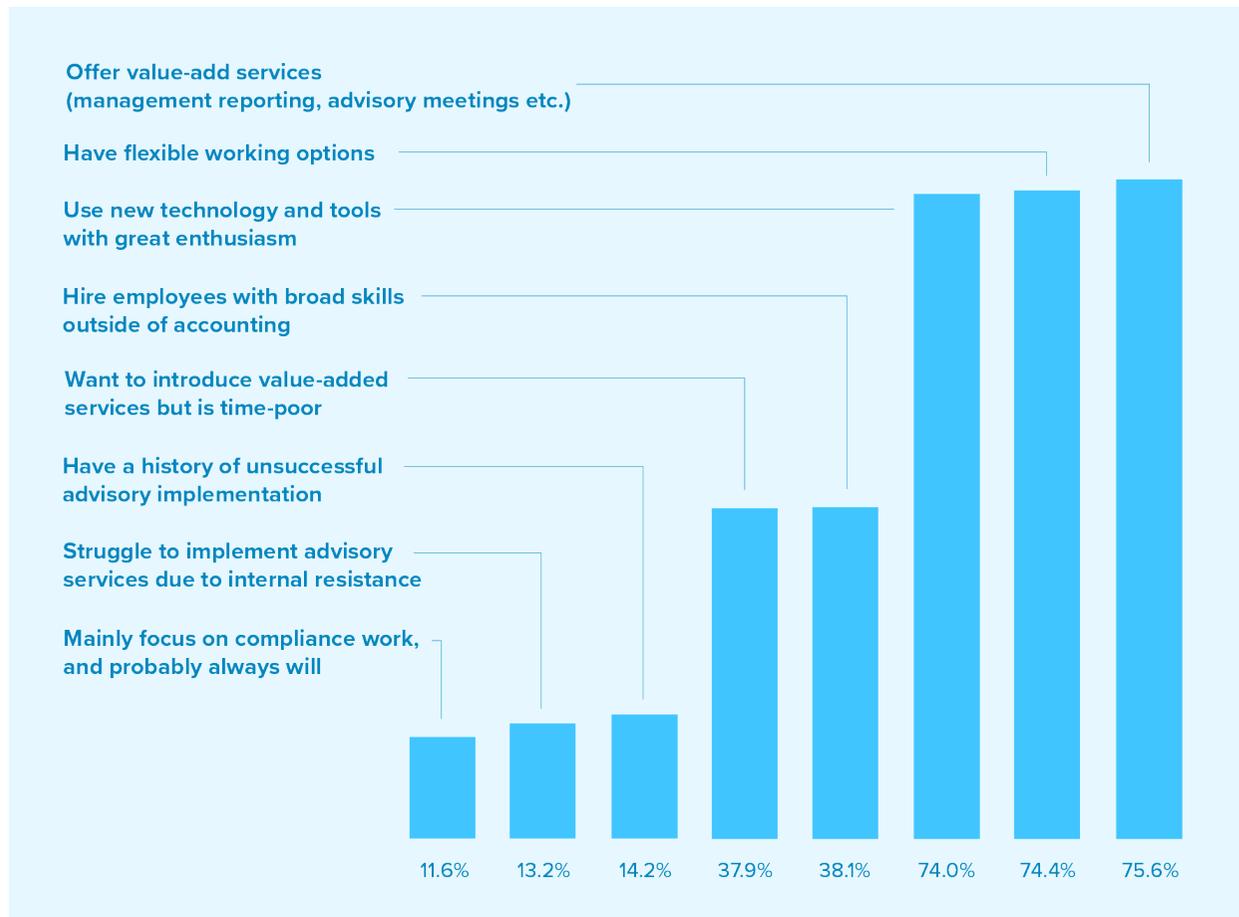
More firms want professionals on their team who have the confidence to ask questions and be active listeners. Traditionally, as an industry we have previously been expected to be technical experts and come up with the answers – this is still true to an extent, but the thinking is changing. The newer generation of advisors or the seasoned progressives are having broad conversations about personal, financial and business goals, asking astute questions, and developing their active listening skills more so than perhaps their ‘annual cycle, compliance-based’ counterparts.

The team at Spotlight Reporting offers training sessions so teams can upskill and create cash flow forecasts for clients. Teams should be able to identify a need, prepare a cash flow forecast, and generate value for clients and revenue for their firm.



What's happening inside accounting firms

Does your accounting firm:





Tech use is widespread, but there is still room to grow depth and strategic deployment

Accountants are catering to a growing digital-native base of clients whose priorities and challenges are changing at breakneck speed. For many, the abrupt shift to remote work has triggered an increase in the adoption of technology and tools, although the last 5-10 years has seen a steady replacement of old, legacy systems for best-of-breed apps.

We've seen (first-hand) the fast-tracking of technology initiatives in accounting firms. This is evident with 74% of respondents saying they're embracing new technology with great enthusiasm. We imagine this number will only grow as technology advances, and the opportunities to solve those age-old frustrations

(ahem... spreadsheets) will revolutionise accounting growth and firm efficiency.

Next steps include investing the time and resources into training the team to embed efficiency gains, new service opportunities and the system knowledge to carve out competitive advantage. In a noisy world, using tools in depth is more effective than adding more complexity to your tech stack.



Gone are the days of 9-to-5 and command-and-control leadership

There's a continuous drive to attract and retain the best people, and flexibility of working options is becoming a key battleground for attracting the best talent. 74.4% of respondents indicated they have flexible working options, and we see this only increasing as some accounting firms

experiment with options that meet both business and personal needs.

In this environment, leaders must invest in the tools and technology to make it possible for employees to do their jobs with ease, enabling close collaboration with clients, increased consultation and reduced administration. Employees move around like never before and have high career expectations, so the days of expecting long hours and operating a dictatorial hierarchy are (thankfully) fading away.



Value is being added

Today's advisors are no longer burdened with task-oriented projects, thanks to the introduction of accounting technology and demand for professional advice. A large proportion (75.6%) of accounting firms around the globe have stated they are currently offering value-add



services such as management reporting and advisory meetings. It has become abundantly clear that value-add services will play an inevitable role in the future of accounting, so it's motivating to see significant uptake. In contrast, only 11.6% of our respondents said they would still continue to mainly focus on compliance work.



Traditional accounting qualifications no longer mandatory

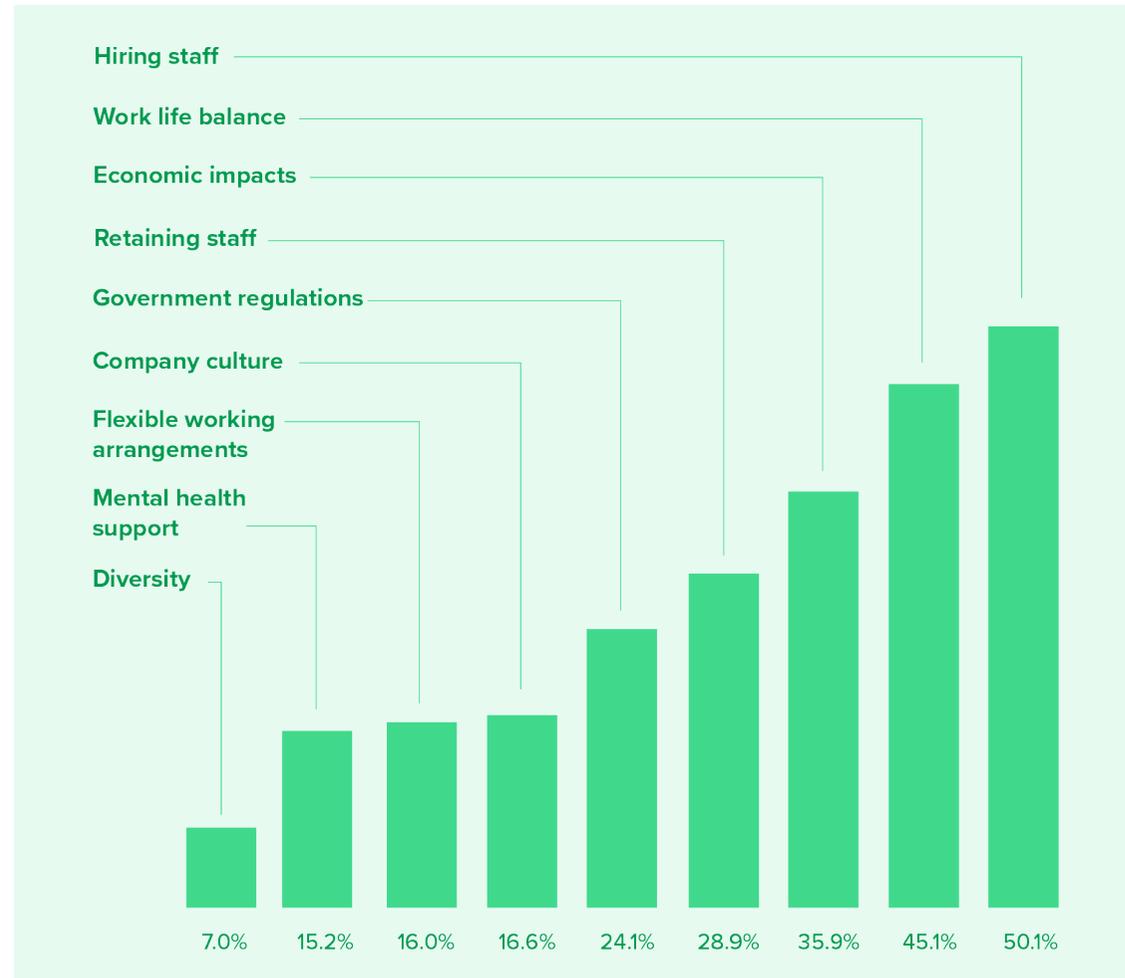
You may or may not be surprised to learn that 38.1% of accounting firms no longer see the traditional accounting degree or qualifications as essential when hiring for roles at firms. Examples of this are hiring analysts in the banking sector, or people who have held data roles outside of the accounting industry, to be part of the accounting firm. Some firms are now

also recruiting interns at high school or college level, before their university studies commence in order to secure talent at a young age. This means once the student graduates, they move into a full-time position at the firm and there is no war to recruit or find talent. The belief is that technical accounting skills can be taught on the job and the emphasis is on hiring for the right attitude and transferable skills.



The biggest challenges for accounting firms in the next 12 months

What are the biggest challenges for your firm in the next 12 months?





Hiring staff remains top concern for accounting firms

Hiring staff is the main challenge for accounting firms across the world, with 50.1% of respondents identifying it as a key issue in the next 12 months.

The war for talent is set to continue in the accounting industry in 2022 along with poaching. With a talent shortage, many firms are vulnerable to losing their best so will need to be thinking about not only attracting, but protecting top talent. We expect more focus to be on offering interesting work (Spotlight Reports and mentoring, anyone?), competitive salaries, financial incentives, clear career progression, and increasing emphasis on intangible aspects like firm culture,

being able to have a life outside of work, and brand resonance to keep the best employees.



Work life balance – getting better or getting worse?

45.1% of our respondents have also indicated that work-life balance will be a challenge for them in the next 12 months. For some firms, busy periods will see some staff working 50 - 60 hours a week and of course Directors and Partners are often the last to go home or turn off the laptop. This fast becomes a wellbeing issue when it is repeated and becomes the “new normal”; something for us all to be aware of. While there is a war for talent, we anticipate the firms that focus on developing a culture of wellbeing and

prioritising work-life balance to be the ones that have less exits. Directors will need to lead by example!



Concerns about what we can't control

In the midst of the sweeping disruptions caused by Covid-19, 35.9% of respondents stated economic impacts as a challenge. Similarly, 24.1% identified government regulations as an obstacle for their firm. While we can't necessarily control these challenges, we can prepare. To confront these challenges, accounting firms need clear processes to plan and forecast for the “what ifs”. Technology will help accountants interpret risks and opportunities and advise clients proactively.



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break these results down in person
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