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WHITEPAPER

# Forging a Path to Advisory Services

Analytics capabilities can help accountants overcome the challenges they face in becoming more advisory oriented

Since 2022, accounting professionals have been optimistic about their firms' prospects. They have consistently expected revenue growth, in part driven by a shift toward a more advisory-focused practice. This evolution makes strategic sense for many firms, as it would allow them to expand year-round service lines, improve profitability and deepen client relationships. This shift in strategic objectives hasn't always played out as expected, however.

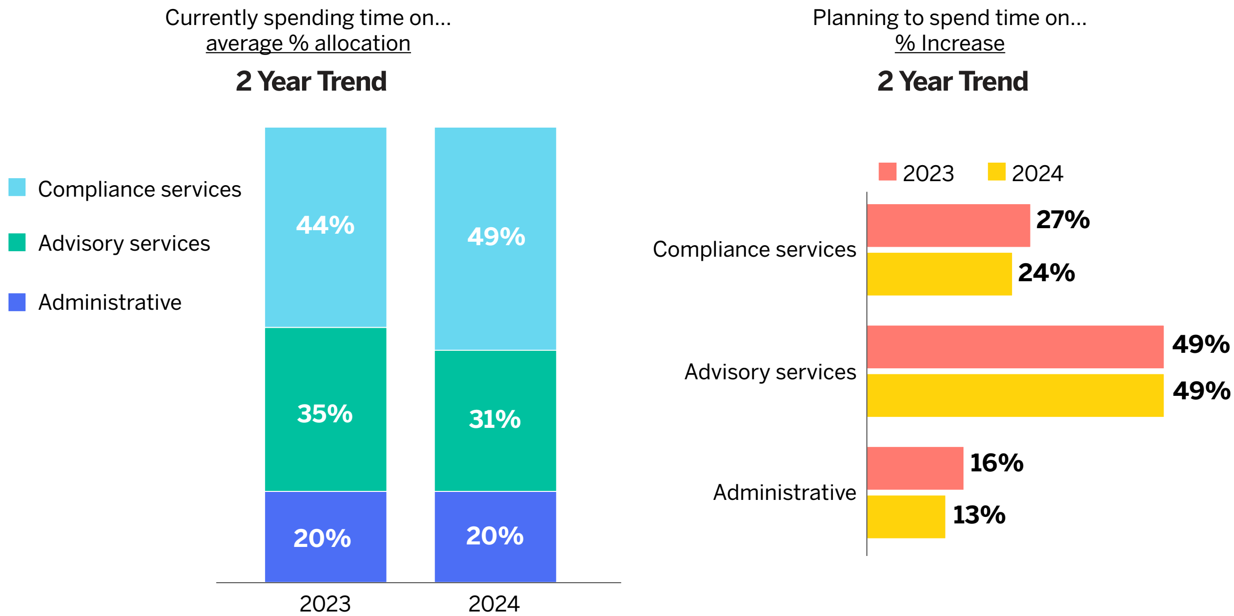
In September and October 2024, Accounting Today conducted its annual survey of 291 accounting professionals to explore their growth expectations and challenges, as well as their tech and talent projections for 2025. The results of the survey, sponsored by Zoho Corporation, suggest firms continue to struggle with turning their strategic plans for a more advisory-focused future into reality.

> **"While accountants wish to become more advisory focused and recognize the benefits this would bring, there are still some issues they need to address and strategies they need to put in place to be able to execute this shift."**

## Advisory services are becoming the white whale of the accounting industry

On average, accountants report that they spend roughly half of their time (49%) on compliance services such as tax preparation and bookkeeping. Although they have expected the proportion of their time spent on advisory services to increase for the past two years, their experience has been the opposite: the proportion of time spent on compliance-related services has risen, while the proportion of time spent on advisory services has declined (see Figure 1).

## Figure 1: Reality Has Not Matched Expectations In Client Service Trends




**Source:** Arizent/Accounting Today, 2024

CPA (53%) and non-CPA (54%) accounting firms are significantly more likely to expect an increase in their advisory activities in the coming year, compared to only 30% of tax-only firms. By contrast, fewer than a quarter of firms overall (24%) expect an increase in time spent on compliance services, and only 13% expect an increase in administrative tasks.

Clearly, accounting firms are looking to increase the advisory services they provide. Equally clearly, they have encountered challenges actually accomplishing such a shift. Nevertheless, respondents' overall optimism about their firms remains relatively strong, with 69% expecting some growth in 2025. That number has remained virtually unchanged over the past two years. It's hard to imagine that level of optimism will remain undiminished if the expected strategic shift toward more advisory work doesn't take place eventually, however. As time goes by, navigating that shift successfully will only become more important from a revenue standpoint.

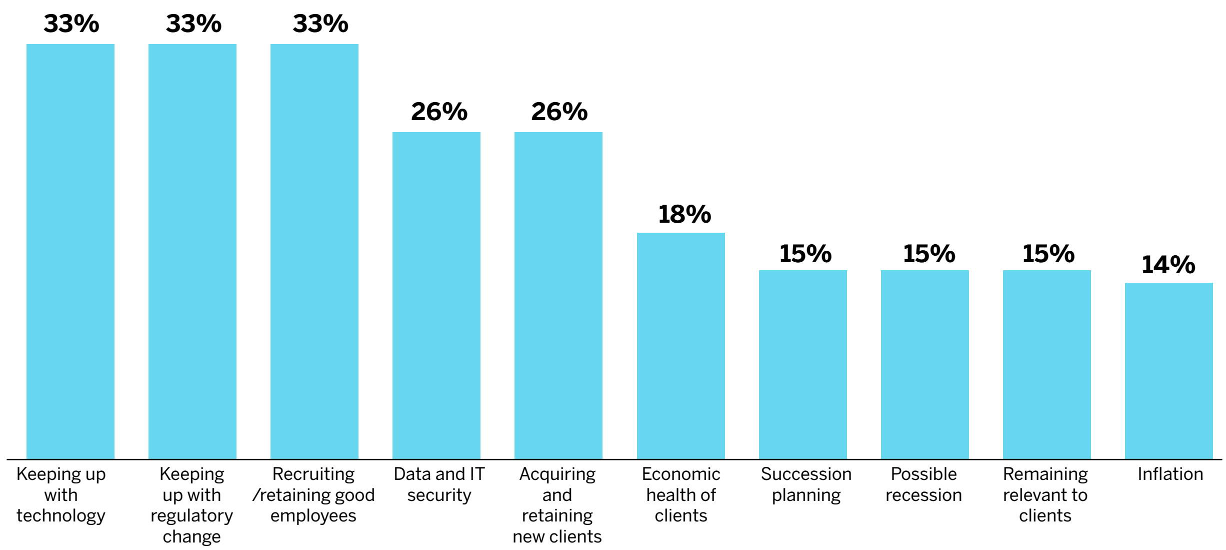
"Accountants are either getting more compliance work or are not staffed appropriately to keep up with the amount of work they have while also exploring advisory services," says Val Steed, director of accountants at Zoho. "That could ultimately hurt business growth, since they're trying to play catchup instead of adding services that can help them make more money."

### What's keeping firms from expanding their advisory services?

The scale and variety of advisory services offered by accountants to date is underwhelming. Payroll (66%) and nonprofit services (63%) are the only advisory service lines offered or planned by more than half of firms in 2025. Outsourced accounting services (46%) and wealth management (43%) round out the top four. These areas generally represent low-hanging fruit in the advisory services arena — high-value offerings for clients that generally don't require significant resources or staffing levels for accountants to stand them up. Despite their stated intentions, the prospects for further expansion among respondents' firms appears low, with fewer than a third of firms planning to offer any other single advisory service line in 2025.

To build their advisory services, accounting firms either need to expand to additional areas or deliver more volume in the areas they currently serve. Either route requires resources, which are already scarce. In fact, accountants cite three steep challenges to developing and achieving their overall strategic business plans – keeping up with regulatory change, keeping up with technology and talent recruitment and retention (see Figure 2).

## Figure 2: Tech, Talent And Regulatory Change Top Firms' Anticipated Challenges In 2025




**Source:** Arizent/Accounting Today, 2024

All three of these barriers speak to resource scarcity. Regulatory change requires additional resources in the compliance-focused areas of the business. The talent crunch makes it difficult to keep top talent around, much less staff up further. Technology can improve efficiency and employee satisfaction, but only if firms can identify the right tools, get them in place and integrate them with the technology they currently have on hand.

To address human resources challenges, more than half of respondents (52%) expect to hire additional full-time staff in 2025. This could prove a challenging proposition, however. While the number of firms intending to hire has remained consistent over the past three years, the average number of people they actually expect to hire has dropped from 22 last year to 11 this year. Without operational efficiencies, firms could face substantial difficulties shoring up existing resource gaps while also expanding into new areas.

Firms appear to be turning to technology in a bid to use their existing resources more efficiently. While technology spend has remained steady at around 21% of firms' budgets over the past three years, significantly more firms expect an increase in tech spending in 2025 (60%) compared to 2023 (50%) and 2024 (50%). That increase doesn't necessarily mean firms expect to expand the technology they have on hand, however. Concern about the price of technology tops the list of expected tech challenges for firms in the coming year. In technology, as in hiring, firms will likely need to pick their spots carefully as they determine where to invest.

## Integrated analytics could help accelerate the shift to more advisory services

The lack of a coherent technology strategy could account for some of the rise in the cost of firms' solutions. Historically, many accounting firms have sought out a range of point solutions to address specific operational needs, particularly when it comes to standalone security solutions (80%), digital document management (67%) and client portals (64%). By contrast, fewer than half (47%) have invested in practice management software, which could replace multiple point solutions with a single, integrated platform.

A well-integrated technology platform can create consultative opportunities by providing accounting firms with actionable business intelligence. Consider the amount of valuable client data accountants have at their disposal. Few business partners have as much information about clients' income, sources of expenditure, financial trends, customer demographics and competitive circumstances. A system that includes analytics capabilities can help accountants capitalize on this information to support their clients' business needs, providing valuable insight that can position them as a strategic partner and improve their competitive advantage.

Integrated practice management suites that offer a common interface can shorten the learning curve for staff, making it easy to adopt what they need when they need it in response to client demands. These tools can also help with recruitment and retention, since they act as a force multiplier by making existing staff more efficient. Additionally, firms can use client data to help refine their strategy for rolling out services that offer maximum value, while using staff resources as efficiently as possible.

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>
> — **Val Steed**, Director of Accountants, Zoho

"Firms that adopt technologies and processes that allow them to get the most value out of the data they already have, gain access to powerful analytics capabilities," says Steed. "Offering actionable operational insights about a client's business opens the door to providing a wide variety of potential advisory services."

# Methodology

This research was conducted online from Sept 20, 2024 through October 10, 2024. A total of 291 accounting professionals completed the survey.  Year over year comparisons to the September 2023 research (n=302) and 2022 research (n=340) are included in this report where applicable and noted.

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