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Accelerate into Advisory

A guide to navigating the three phases of CAS

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Introduction

As the accounting profession embraces the advances brought on by digital transformation, it's uncovering some big new opportunities for remaining vital, relevant – and profitable. There may be no better example of this than the continuing rise of Client Accounting Advisory Services (CAS), in which firms advise clients in various financial and accounting-related decisions and strategies. CAS has been enabled and accelerated by technologies such as automation, artificial intelligence, and cloud computing – performing outsourced accounting and advisory services for multiple clients at scale would have been inconceivable before the emergence of such technologies.

About CAS

Client Accounting Advisory Services (CAS) is a business model in which clients outsource many or all of their accounting tasks to an accounting firm and in return, are not only compliant but also receive strategic advice. Service offerings can include:

- Accounts payable and receivable
- Payroll preparation and reporting
- Cash flow management
- Financial statement preparation
- Virtual CFO/outsourced controller advisory services

The 2018 AICPA PCPS and CPA.com survey found that well over 50% of firms in virtually all size categories are providing some form of these services, and the first CAS Benchmark Survey (2018) from CPA.com and AICPA PCPS showed that practices of this kind are growing at a rate more than double the 5% median CPA firm growth rate.

The rise of CAS occurs as clients continue to ramp up their expectations of accounting firms. Offerings such as CAS provide an important opportunity for firms to become an even more critical factor in their clients' businesses. CAS brings clear benefits to both clients and the firms that serve them, helping clients focus on their business while accountants grow their practice. As accounting firms take on more accounting tasks for their clients, they compile more useful data for them. Eventually, accountants can draw on that data to inform the development of strategies and plans for clients, helping them navigate challenges and position themselves for success.

Fundamentally, CAS moves accounting conversations from "what already happened in your business?" to "what's likely to happen next, and how will you reach your business goals in light of that insight?" This represents a profound step forward for many firms, and it is exactly what clients today are seeking. Forward-thinking accounting firms can use CAS to pivot from a compliance-focused or transactional support orientation into a more strategic, advisory-level role.

There are three core phases in the CAS journey, which are outlined in detail in this eBook. Keep in mind that many firms do not experience a linear progression from one phase to the next – which is both understandable and acceptable. It is more important for firm and practice leaders to understand exactly where they are in the CAS journey and execute a long-term strategy, remaining aligned with current client needs and anticipating future needs.

Phase 1 Interest, planning, and automation

Phase 2 Shift from transactional to advisory

Phase 3 Achieving scale

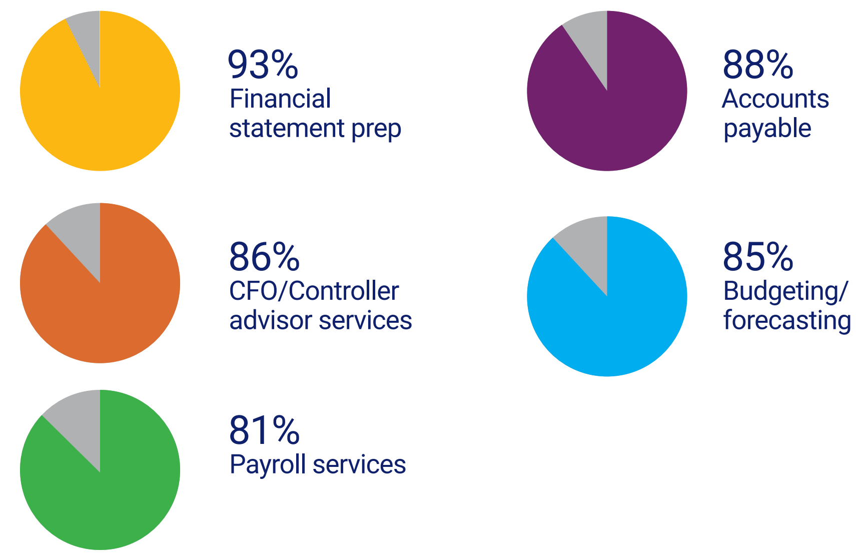
This eBook is intended to serve as a guide for firms committed to moving into a more strategic, advisory role for their clients through CAS — enhancing their competitive advantage as the profession evolves.

Phase 1: Interest, planning, and automation

Many of today's leading, longest-running CAS practices began as the result of client interest: A client registered a need, the firm moved to respond to it, and the practice grew from there. But today, firms are being more purposeful about launching their CAS practices, knowing from the start what a considerable impact this offering can have – and how important it is to get it right.

The most important question to answer to get off to the right start is the simplest: What does your firm really want to accomplish with CAS? Maybe there's a particular revenue target your firm needs to hit by a certain date in order to warrant the investments in technology, staffing, and other resources. Or maybe CAS is a key stepping stone toward even larger goals. Perhaps it is going to help you address a substantial client need. Or maybe it's all of the above. Once you've identified what you want to accomplish, the question becomes: "how will we do it?" That's where a business model comes into play – a map for guiding large and small decisions, on everything from technology to talent strategy and more, throughout your CAS journey.

Top Five Client Accounting Advisory Services Offered



CPA.com & AICPA PCPS 2018 CAS Benchmark Survey Report

Key planning considerations: Which services should you offer?

There are a huge number of services a firm could offer through its CAS practice – but that doesn't mean they should offer them all, at least not from the start. Plan on making some tough decisions, guided by your business model strategy. It may be instructive to know which services established CAS practitioners rely on most heavily – a data point uncovered in a recent CAS-focused CPA.com and AICPA PCPS survey. As seen in the charts on the right, the top tasks identified by firms for outsourcing were financial statement preparation, accounts payable, CFO/controller advisor services, budgeting/forecasting, and payroll services. This matches up well with the top five services for outsourcing identified by clients in a recent survey: Accounts payable (AP), accounts receivable (AR), general ledger management, payroll, and financial statement preparation. (It's worth noting that in the same survey, 52% of respondents who outsource AP and AR are interested in outsourcing *all* accounting tasks.) Particularly for firms that are beginning their CAS journey, these services are considered a good starting point and a great way to open the door to a full-fledged CAS offering.

Also, these traditionally manual services are prime targets for automation, especially given the difficulty of delivering them profitably at scale – which brings us to our next point.

Make smart choices on technology and automation to achieve scale

The benefits of automation are clear: Saving time on manual work, increasing your firm's focus on pressing client needs, improving accuracy and efficiency, and more. But with so many solutions currently available, with more being rolled out nearly every day, they present a dilemma: How best to efficiently evaluate, adopt, implement and sustain the optimal technology mix for your CAS practice?

> "A lot of people miss the importance of understanding the trajectory of the partner and how their path aligns with your goals and those of your clients."

This is where the business model once again plays a key role, clarifying which services will be offered and which processes will be required to support those services. Where can technology (and automation in particular) help the most? Where are the most significant and immediate opportunities to use those technologies to standardize processes across clients, and eventually, across firm locations—helping to achieve scale more seamlessly? This can prove more difficult than it seems, especially

Your technology provider makes a difference

Among CAS providers, top performers rely more heavily on technologies that not only enable automation, but also extend their offerings beyond the technology itself. Programs designed specifically for accounting firms, such as the Sage Intacct Accountants Program and Bill.com's Accountant Partner Program, offer guidance, training and a community that can help firms grow their practices.

Source: CPA.com & AICPA PCPS CAS Benchmark Survey

when many leaders are unsure about which what automation capabilities are available – and proven. There's no way around it: This is likely to require a number of conversations with peers, technology providers, or consultants, given the rapid rate of change in the technology landscape. "It's really important to find partners who work well with your team, and work well with clients, solving pain points for both," says Aaron Berson, CEO and Co-Founder of Fringe Accounting Co. "You need to make out your list of requirements – your 'need-to-haves,' your 'want-to-haves' – and view them all through the lens of each partner, accounting for their own roadmaps. A lot of people miss the importance of understanding the trajectory of the partner and how their path aligns with your goals and those of your clients."

But firm leaders can jump-start that conversation by identifying existing manual processes and the amount of time they require to complete. Take bill pay, for example. How many hours of manual work does that one service require, and how does that compare with other manual processes that will be required by a CAS offering? This view can lead to some unexpected insights, and clarify key areas of focus for technology and automation adoption.

Experience suggests that the most effective tech stack for supporting a CAS practice combines accounting, AP, AR, expense management, payroll, and other processes in one efficient, cloud-based place. Plus, integrations between these technologies turbocharge automation by syncing information across systems, providing a real-time view of clients' finances.

Scale matters.

As our recent survey of CAS providers shows, increasing scale has a positive impact on median net client fees (NCF) from CAS. This chart provides helpful benchmarking for CAS practitioners and exemplifies the importance of identifying and standardizing processes early on in your CAS journey.

Size of CAS practice	Median net client fees from CAS	Median # of CAS clients served	Median annual fees per client	Median NCF per professional
< $250,000	$75,000	13	$4,192	$25,000
$250K - $500K	$300,000	46	$6,264	$72,917
$500K - $1M	$737,500	34	$19,596	$119,353
$1M - $2M	$1,523,815	173	$10,225	$132,093
$2M - $3M	$2,284,500	105	$19,632	$150,945
> $3M	$7,000,000	330	$15,530	$137,241

CPA.com & AICPA PCPS 2018 CAS Benchmark Survey Report

Resources that can help

Click to access

- White paper: Setting the Stage for CAS Success
- CAS Benchmark Survey 2018, CPA.com and AICPA PCPS
- Video: Creating an Effective CAS Practice, Jenni Huotari, Eide Bailly
- Video: Constructing the CAS Practice, Larry Kammerer, Moss Adams
- CPA.com and AICPA, CAS Workshops & Certificate

Phase 2: Shift from transactional to advisory

Think of expanded automation capabilities as a springboard to the role of trusted advisor. At minimum, these capabilities should enable an efficient, well-run CAS practice that is responsive to the needs of clients – a worthy goal on its own. In fact, many firms stop here, content to introduce just enough automation capabilities to provide clients with baseline-level CAS services. In our view, this is a significant missed opportunity, given the fact that clients are pressing for more strategic insights from their accounting firms – not to mention the heightened competition and tightening margins facing most firms today. Christine Triantos, Partner at Denver-based Anton Collins Mitchell (ACM), agrees: "We started our CAS practice in response to a specific client need, and we were happy to find a new way to serve our clients," she says. "But it's when we realized that CAS enabled us to have a more strategic relationship and add considerable value, that we began to see its true significance."

Greater automation in CAS should give you and your team some breathing room to focus on what's really important to clients. In some cases, this means learning how the technology itself can help you inhabit the role of advisor to your clients. For example, consider all the reports your CAS practice is routinely producing for clients. They contain critical information for identifying and understanding inefficiencies at the client organization – but this type of information can be overlooked by clients with tunnel vision. It can also be overlooked by overworked accounting teams focused on churning out the next report. But not if you make better use of the time "earned" by greater automation. When you use these reports to proactively bring insights to clients, identifying both potential opportunities and pitfalls, clients will increasingly rely on your counsel, opening the door to a new, more strategic relationship that in turn opens the door to new revenue opportunities.

That's the real, long-term opportunity presented by CAS: Moving your firm from transactional client relationships to strategic, advisory relationships. Advanced technology and automation can be the spark that sets this important transition in motion.

"But it's when we realized that CAS enabled us to have a more strategic relationship and add considerable value, that we began to see its true significance."

Beyond technology

No firm can sustain and support the transition to an advisory role if they haven't prepared other aspects of their organizations (beyond technology) for the strategic goals they're pursuing. Next, we review three of the most important considerations for firms once they've set a solid technology foundation in place: Staffing, pricing, and communication.

Staffing

A fully staffed CAS practice may not require as many people as a more traditional accounting service, given its heavy reliance on technology enablers. Those who do join the CAS practice find opportunities for a different career path and skill sets that hold considerable appeal, particularly for those embarking on their careers. This is important given the high priority of staffing in the profession today. According to the 2019 AICPA PCPS CPA Firm Top Issues Survey, firms of every size (with the exception of sole practitioners) identify staffing as their top issue today and over the next five years.

CAS staffers need to be comfortable operating newer, advanced technologies, and they also need to be able to offer strategic advice and counsel to clients. Many of these skills are difficult to find in firms today. But the people who have these skills may not need to be in your physical office — or in any office at all. Matt Lescault is CEO of Lescault & Walderman, a predominantly CAS-based firm based in Washington, DC. According to Lescault, the firm, "stopped looking in D.C. — we found avenues to find people in different, less competitive markets." This strategy has enabled a virtual approach to client service. "We're a completely virtual firm," says Lescault. "Everybody works from home, or goes to client offices — we don't have an office where people gather together." As a result, Lescault is able to tap into a wider range of qualified talent all over the U.S. to better serve CAS clients.

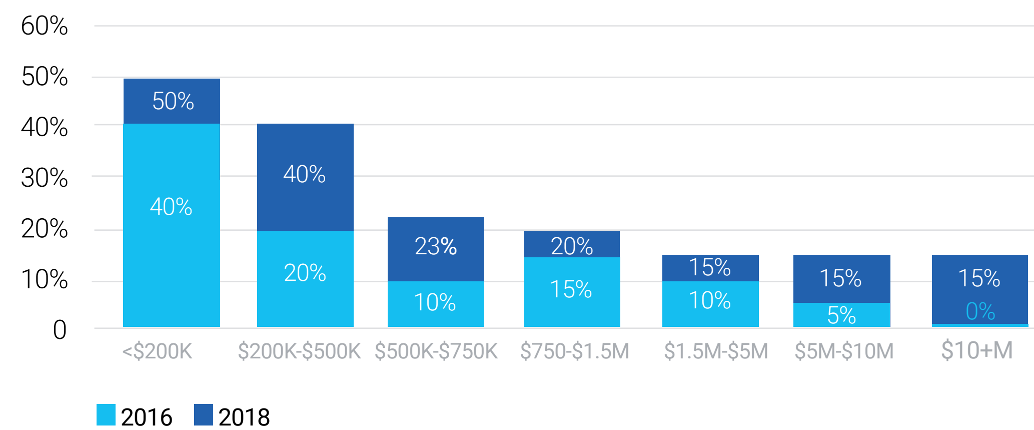
Professionals who excel in a CAS environment are not likely the types of people your firm was recruiting ten or even five years ago. That means your recruitment model will need to change. Perhaps even more important, many of those already on staff will need to advance their skills in new areas, which requires people who bring a growth mindset to the job. As Christine Triantos observes, "CAS wasn't part of our talent plan in the beginning, and it wasn't on most of our existing professionals' radars. We had to change that, which took training and updates to our recruitment strategy. It's been a good move – some of our employees that were looking for new skills and opportunities for advancement have found their place in the practice, and this offering has brought in new talent that we may not have attracted before."

Pricing

Imagine a scenario in which you successfully make the transition from transactional service provider to strategic advisor for your clients. Congratulations! But do you know how your revenue model will shift to account for this new, more valuable role? For many firms, the key lies in shifting to a "value pricing" model, which is typically supported by a recurring, fixed fee. This is the best possible cash flow model for your firm, delivering a predictable stream of recurring revenue throughout the year.

For many clients, of course, this is a significant shift. But if you are fulfilling the role of trusted advisor, and clients are seeing the enhanced value offered by your firm, most will be more willing to pay for the value received.

Value pricing and value billing — % of total revenues



Fixed pricing — % of total revenues

Source: 2018 AICPA PCPS and CPA.com National MAP Survey

Value-based pricing and billing models are gaining ground across the profession, not just within CAS offerings. According to the 2018 National MAP Survey from AICPA PCPS and CPA.com, the use of value pricing and value billing has soared at firms of every size, with some of the biggest gains seen among the smallest firms. Firm revenues using this pricing and billing protocol were up 10 percentage points among firms with less than $200,000 in revenues since the 2016 survey. Results revealed that half of these firms' total revenues are from value pricing and value billing.

Client/stakeholder communication

Any important shift in a client relationship should be supported by vigorous communication – some might even call it overcommunicating. In making the move from transactional service provider to strategic advisor, frequent client check-ins are critical. But they should also happen naturally anyway: In a more consultative role, you should be communicating with clients more frequently. Your firm should be functioning as an extension of the client team rather than as a provider that plugs in only when needed – during tax season, for example. Dixie McCurley, President of Trusted CFO Solutions, considers this to be a key metric. "One of the success metrics we track is whether or not the client feels like we're down the hall," says McCurley. "We have to create that environment, so that they feel that they can get us on the phone or walk into our office at any moment."

The stakes are high for CAS firms. "According to the 2018 Bill.com and CPA.com Client Accounting Services Survey, the lack of timely, consistent communication was identified as a top reason clients leave their firms," says Aaron Berson. "It's really important for firms to have a strategy in place for handling communications, from monitoring it to making sure everything gets a response, to separating client

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communications into different buckets so that it's easier for staff to track and prioritize things. Do that, and you'll retain clients much more effectively – and have better relationships with them along the way."

At the outset, pricing is a particularly important focus for communication efforts, because new service offerings as those found within a CAS practice introduce the potential for mismatched expectations and unwanted surprises. Plan on being very direct with clients when discussing pricing and processes, and clearly explain what is and is not in scope as part of your agreement.

Internal firm stakeholders will also need more frequent communication in order to continue to support your CAS ambitions and broader goals. As you check in with them, refer back to your original business plan. How is your CAS practice performing – for your firm, and for clients? Connect the value of your CAS practice to other practice areas. How could working with you help clients of your tax practice? How could it help your colleagues achieve their own goals? If you don't make the case, support for CAS is always at risk of waning, just as with most shiny new objects. You can't afford for key stakeholders to view CAS as a mere passing trend.

Understanding (and improving) your customer experience with the Net Promoter Score (NPS)

Is your team delivering the level of service that will keep your clients coming back year after year? Many firms rely on the Net Promoter Score (NPS) metric to better understand and track customer loyalty. The higher the score, the more likely clients are to recommend your services to others – and the more loyal they are themselves.

The NPS can be a powerful tool – if used wisely. Here are a few recommendations that can help.

It's all about driving improvements.

How will you act on the insights that come from your NPS? Determining your NPS from clients is only the first step. On its own, the score won't have a significant impact. Your firm must take action to progress, ideally resulting in a continuously improving score.

NPS is for relationships – not transactions, teams, or individuals.

Whether or not a client would recommend you depends on their entire experience with your organization – not one or two touchpoints. Carefully consider when and how you distribute the survey, and make sure to send it to all clients. Don't leave out those who you suspect will give you a low score based on a recent interaction.

Source: How Effective Is Net Promoter Score (NPS)? Forbes. 2016.

Phase 3: Achieving scale

If you already rely on automation to deliver services to clients, those same technology-enabled capabilities should be easily extended to other clients. In reality, though, achieving scale is rarely so simple, and requires a detailed growth strategy for identifying, attracting, and serving clients at new levels.

There is no one-size-fits-all growth strategy that translates easily from one firm to another. But these observations on scaling up CAS practices are widely applicable:

Geography-driven growth. In national or regional firms, CAS capabilities often tend to start organically – a single office launches the firm's first CAS practice, and based on their success, others follow. At this point, firm leadership should consider which additional offices are most likely to be successful, mapping out the geographic trajectory of their growth strategy. This assessment is based on a number of factors, from office leadership and talent to client/industry base by office, and more.

Industry-driven growth. In firms where CAS grows organically from client needs, industry is just as likely as geography to be the primary factor in defining the practice, at least initially. If your CAS practice originates in a single industry, how much growth will your current client portfolio support? Which other core industries offer the best prospects for expansion, based on your early success in one industry?

Brand-based growth. Some firms find that, based on their early CAS success, they develop wider brand recognition based on their CAS capabilities. BDO, for example, created a dedicated offshoot brand for its CAS offering, which it named BDODrive. How do clients talk about your firm, and where does CAS fit into the story they tell? What do you want them to say? How does this play into your broader brand strategy? The answers to such questions can inform the marketing and referral strategies that fuel your next phase of growth.

Resources that can help

Click to access

- White paper: Five Key Principles of Successful Accounting Firm Marketing
- Association for Accounting Marketing

Achieving – and sustaining – scale can be complex for firms accustomed to growing in different, more traditional ways. But the benefits in terms of growth and revenue can be significant and are well worth pursuing for most firms.

Ready to scale? Here's what to look out for.

These are the challenges identified by respondents in our recent survey, showing the importance of communicating the real value of CAS, and identifying a pricing strategy that fits client expectations and your own revenue goals.

Barriers to CAS sales success

Source: CPA.com & AICPA PCPS 2018 CAS Benchmark Survey

Conclusion

CAS: An important opportunity, enabled by technology

In many ways, the tools and technologies that enable CAS could not have arrived at a better time for the profession. Accounting firms are facing unprecedented pressure to change and meet new challenges, many of which are also the result of disruptive technological advances. CAS gives firms the opportunity to actively guide the transformation introduced by automation, AI, and other tools, pairing these capabilities with the valuable human insight and accounting know-how on which both individual firms and the profession at large were built.

Just as important, CAS can be used to usher in a new era of advisory-based services – which clients are already seeking, in many cases. Our profession has not faced such an opportunity in at least a generation – and firm leaders who recognize and pursue this opportunity will be well positioned for the next phase of growth. Understanding the phases of CAS outlined in this eBook is no guarantee of success – but it can help considerably in terms of setting reasonable expectations and achieving real, sustainable growth, one milestone at a time.

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