

KPMG does lots of advisory work. And it's easier to do it in comfy, plush red booths. Probably



What actually is 'advisory'?

By Matt Packer

I nterested in working in advisory, but not quite sure what it entails? Rest assured that a lot of practising accountants are in the same boat. "There's an ongoing discussion within our Accelerate group – an accountancy membership network that we're part of – about that very question: 'What is advisory?'" says Paul Crichton, managing partner at Dundee-based chartered accountancy firm MMG Archbold. "At what point do basic, compliance-based services move into the advisory realm?"

But that last question does actually provide the seeds of a definition of 'advisory': advisory involves more specialist, and perhaps more sophisticated, services than those geared to help clients meet their most fundamental compliance obligations. Xero also provides useful guidelines, splitting advisory into 'performance advisory' (evaluating a client firm's health and competitiveness) and 'strategic advisory' (determining the most productive course of action that a client firm should take).

Advisory is everywhere

Advisory is certainly becoming a bigger and bigger part of day-to-day accountancy work, due to the digital revolution. "The collation of statutory or management accounts forms the bread-and-butter compliance work we've always done," says Crichton. "As we've seen that become more and more automated, and as artificial intelligence starts to gradually come into that sphere to assist with the preparation of the numbers, the focus has shifted to: 'What do those numbers mean? How does that fit against our forecasts? What shape should our hypothetical scenarios take?'"

For Crichton, advisory comes in after the accounts have been prepared. So, in that sense, it's all about forecasting, using

benchmarking software to help clients answer questions such as 'Where do we sit among our competitors?'. Advisory, he says, is very action-orientated – it's about creating targets and ensuring that they're met, constantly assessing progress.

Saffery Champness partner Peter Harker outlines how this works in practice. He recently had a meeting with a family-run business to help determine how the owners should arrange their affairs within the family ownership structure.

"We were exploring whether that structure is still fit for purpose or whether they should rearrange it," he says. "Would there be any tax efficiencies to be gained from a different structure?"

Advisory work would be similar within a corporation, he says. For example, you may be talking to the finance director of a company that is thinking about buying out another firm, moving premises or expanding its overseas operations. Each of those paths involves a series of accounting and tax considerations.

"To be able to have those conversations, you must understand the impact that different decisions have on the client's accounts and tax position, and help the client work towards the best outcome," Harker explains. "There are various scenarios in which it may look like the client has a great deal but, when you drill down into the detail, that scenario could create an accounting or tax issue that spawns further problems down the line. By structuring the same deal in a slightly different way, you may end up with a different outcome for accounting purposes that is of greater benefit to the client."

How to get into advisory

So how can you take the necessary steps towards a career in advisory? Crichton says that having an

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Spy through binoculars on EY's offices and the chances are that you'll spot a bit of advisory work going on, just like we did here

Anatomy of advisory

Here are some of the business areas that advisory services typically address...

Budgeting and control

This is about ensuring actual spending and income line up with projected income and spending, and what you can do to bring them in line if things go wrong.

Business expansion

Advisory is also about helping a company grow its products and services at a manageable rate, based on the company's financial performance.

Business valuation

This involves using your knowledge of a company's financial performance, assets and share value to calculate how much it is worth.

Cash-flow management

Cash-flow management is vital. It's all about helping companies plan out their activities to ensure they don't end up short of cash.

Company formation

Advisers need to determine the right structure for a business, based on its sector, the aims of the founders and any tax considerations.

Profits projection and improvement

This is about making a strategic plan to increase profits in order to meet management's long-term goals for the business.

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understanding of various software systems is essential: "Being able to set up systems, interrogate the data and analyse forwards from that – knowing how to use the relevant tools – is critical not just for the accountants of tomorrow, but of today too, to ensure they stay relevant. With everything you do, you should be thinking: 'Could a computer do this? And, if it can: 'What do I need to do to ensure that I know the answer coming out is correct?'"

While Harker acknowledges that trainees will focus primarily on compliance matters, he encourages them to think about the numbers they're producing: "It's so easy to go into a zone of trying to get the numbers to balance, but never actually standing back to think about what they mean to the business. Is there anything to worry about? Are

there any opportunities? Try to be as multidisciplinary as possible."

He adds that there is a significant role for softer skills: "Advisory work is about dealing with people and reassuring them that following your analysis will be beneficial."

For new accountants, advisory offers an opportunity to develop strong relationships with senior staff. "Show an interest in the end product," he urges. "Spend time speaking to your managers and partners about your firm's clients. Think about the nature of those client firms and the individuals who run them, and ask questions around those areas. The review process with managers should provide plenty of scope to query 'Why was this deal done like that?' or 'Why was the business set up in that way?' ■