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# Integrated services in action

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# Integrated Services

*in*

by Donald J. Bevis

At the recent Management Conference at The Homestead, there was a good deal of discussion of the "integrated services concept." From the questions raised by the participants in the conference and in other meetings, it is clear that there is still a need for some clarification of this concept, what it is and how it works. That is the aim of this article.

Before going further, I suggest that you reread two articles in the last issue (June, 1963) of THE QUARTERLY—"Organizing the Firm for Growth" by Robert Beyer and "Business Approach to Auditing" by Walter H. Soderdahl. With this as background, we can then deal with some of the questions raised most frequently by TRB&S personnel and clients.

## *What is Integrated Services?*

Integrated services is the term we have adopted to describe our coordinated team approach to the financial management problems of our clients, utilizing our knowledge and experience in the specialized areas of accounting and auditing, taxes and management services. As you will see, the key phrase in this definition of integrated services is "coordinated team approach."

Many problem areas can be individually dealt with by a reasonably curious, informed and skilled auditor. For problem areas requiring special or highly-technical skills, however, the auditor must draw from the array of highly-

trained technicians employed by the firm for just this purpose. Experienced financial planners, tax specialists, mathematicians, EDP specialists, etc., skilled in such areas as mergers and acquisitions, tax planning, the application of mathematical techniques to business problems, electronic data processing, and work measurement studies, are available to give maximum assistance to operating management under the concept of integrated services. These talents are available on a coordinated basis.

## *What is the Need for Integrated Services?*

For many years our practice has generally consisted of auditing, tax, and management services in one combination or another. Each of the three has its own special connotation when considered separately. As auditors, we have developed a knowledge of control functions and control techniques. We have also achieved a knowledge of systems designed for financial information. Within the management services field, we have acquired and are continuing to develop the new capabilities required by the demands of modern business. Today, our capabilities include not only financial but other types of information systems. Within the tax field, our talents go far beyond the routine preparation of tax returns; they encompass comprehensive tax planning on both an international and a domestic basis.

With the growth and development of each of these

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services, the tendency to specialize has brought about an uncomfortable feeling of compartmentalization. Certainly, the specialization necessary to attain technical competence is required of all members of the firm. But new requirements in one business field after another make it imperative that we take a look at the whole accounting function in terms of the changing environment. When we do this, we see that the accounting function has taken on a broad new countenance to meet the new requirements for measurement and communication of financial and economic data.

Modern business management requires a decision-making process that marshalls all relevant data and develops alternate strategies with predictable consequences. Its ideal is to make decisions based on facts as they exist at the moment of decision. Such a process requires a co-ordinated approach, one best provided by someone who understands *all* the integrated services necessary to arrive at an optimum conclusion. Thus, an integrated accounting service, co-ordinating auditing, tax and management services for every client—all conducted under the same standards of competence, independence and responsibility—is an absolute necessity.

## *How Will Integrated Services Work?*

The key to our concept of integrated services is the "general services partner." As Robert Beyer has stated:



*Donald J. Bevis, a fluent speaker on accounting and related subjects, was selected this year for special national recognition by Beta Gamma Sigma on their 50th anniversary. Now senior partner in our Executive office, Mr. Bevis started his accounting career in 1934.*

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*A graduate of the University of Michigan, Mr. Bevis received the Degree of Bachelor of Arts from their College of Literature, Science and the Arts in 1933 and in 1934 received the degree of Master of Business Administration "with distinction" from the School of Business Administration.*

"A general service partner is a 'line' executive reporting to the partner in charge of an office. His experience background is such that he is able to deal in some depth with all three classes of service—audit, tax and management services—and he also assumes responsibility for the 'added ingredient' of integration. He has primary and over-all responsibility for the firm's relationship with the client."

Imagine if you will a medium to large sized company, mass-producing and distributing several lines of consumer goods, publicly held, considering moving into other countries, maintaining cost, production and sales data on EDP equipment. It's not too difficult to imagine the many problems such a client might have, even with the best management group.

Being a publicly held company, an annual audit by a firm familiar with SEC requirements would, of course, be necessary. One of the first things that would concern the auditor in his review of accounting procedures and internal control would be the EDP system. Hopefully, he would have the training necessary to perform this review, but he should also be alert to situations requiring study by an EDP expert. He might find that management was not getting valid or useful product cost information from the existing system. Investigation by a specialist in management services could disclose deeper problems in production scheduling, product mix, pricing and other areas subject to management decisions.

The auditor would also be concerned with the accounting and financial reporting implications of the company's projected operations in other countries. In addition to deciding the countries in which to operate, management would have to weigh the advantages of building its own plants or entering into licensing arrangements with foreign manufacturers. Further, should one or more subsidiary corporations be used or would a branch set-up be better? If subsidiaries are to be formed, in what jurisdictions? Obviously, these problems have accounting and auditing implications, as well as tax and management services implications.

I don't think I need go any further with this imaginary company. The point is that businesses today are facing situations of this kind. Small businesses are becoming medium-sized businesses, medium-sized businesses are becoming large businesses, domestic companies are becoming international companies, and at every step along the way management is faced with numerous and varied problems. They are looking for help with these problems.

It is in this environment that the general service part-

ner for each client functions. He has an understanding of the client's business and is in constant touch. He will discuss problem areas with the client and point out where he feels improvements are needed, and how we can be of service. When it appears desirable, the general service partner will call in audit, tax or management services specialists. Working as a team under the direction of the general service partner, these people, together with representatives from the client, will develop and implement appropriate corrective measures or programs for improvement.

Naturally, in our effort to provide integrated services, the general service partner is not the only person with responsibility. On every audit, each person on the job shares this responsibility. While an audit is ostensibly an examination of a client's financial statements, the auditor actually examines the client's business. In the course of making judgments about individual accounts and financial statements as a whole, the auditor comes in close contact with the myriad details of day-to-day operations. He sees materials procured, converted, stored and sold; he sees money received and disbursed; he sees mountains of paperwork processed; he sees people performing all sorts of assignments. This comprehensive and intensive exposure to practically every procedure within a client's business places a curious, informed and skilled accountant in a rare position to observe and evaluate procedures, to identify deficiencies, and to offer constructive suggestions to management to improve operations. These suggestions, often looked upon as an audit "bonus" by the client, are really essential to a good audit. They are what distinguish a "beneficial" audit from that which is purely routine. Unquestionably this comprehensive assistance to management is one of the best ways to build client goodwill.

When reviewing operating procedures and accounting controls, the auditor should continuously ask himself how the client can do a better job, reduce costs, eliminate trouble-spots, or solve special problems. This inquisitive attitude directs the attention of the auditor toward opportunities to be of special service to the client. Not every lead will prove fruitful upon further exploration, but sometimes even apparently barren leads will develop into major service opportunities. Findings and proposed recommendations should be brought to the attention of the general service partners, and if desirable, will be discussed with management services or tax specialists to get the benefits of their experience and viewpoints. In many cases, technical problems will then be discussed with the client by specialists who can proceed with the work required by the client.

### *Is Integrated Services New?*

The idea of utilizing all the firm's specialized services in dealing with the problems of a single client certainly is not new. Nor is the general service partner concept entirely new. Many of our partners have been serving their clients in this capacity for many years.

Nevertheless, there is something new. There is a new emphasis on the importance of carrying the integrated services concept to all of our clients, whether large or small, and there is a new determination to have the type of organization and the kind of people we need to do this.

### *Where Does the Specialist Fit?*

Obviously, we need people with fairly comprehensive knowledge and competence in all of the three principal fields of our practice, as well as in the broad area we commonly refer to as the business world. If such people can also be expert in one or more of the major areas of our practice, they will be all the more valuable. It should be clear that we will always need specialists, for without specialists in accounting and auditing, tax planning, and the various management services, the general service partner would be like a doctor without his medical bag.

As the complexities of modern business demand a higher ratio of expert services, the specialist will become more and more indispensable. As he makes a name in his field, he will receive a reward that is commensurate with his talents. Nor will he be confined to his specialty, for a specialist may well become a general service partner, even though he continues in the specialty of his choice.

### *How Will Integrated Services Affect You?*

We have always expected and encouraged everyone to continue his education long after his formal schooling has ended. This personal effort on the part of each of us will be increasingly important as we emphasize the concept of integrated services. Many, perhaps most, of our staff people will be encouraged to specialize in one of the three principal fields of our practice. There will be an added obligation, however. Every person on the professional staff will be required to learn as much as possible about at least one, and hopefully both of the other fields of specialization.

To help in spotting and developing people with potential for becoming general service partners, we have already instituted new requirements for promotion within the firm. These new requirements were announced in the September, 1962 issue of *THE QUARTERLY*. I think

it would be worthwhile to quote here a portion of that announcement:

"Broad experience for our professional people has always been one of the goals of our firm. With few exceptions it has never been our practice to have people specialize during the earlier years of their career, although we have an urgent need for trained people in each service area. The exceptions have usually involved people with specialized education or experience. During recent years, however, we have become even more aware of the need for the "account executive" or "general services" type of partner and manager. We need people who can be a liaison between the client and every type of service we have to offer: people who can assess any financial problem that comes up in the operation of a business and recommend the specialist or combination of specialists from our firm who are best equipped to deal with it.

"This breadth of experience is no longer an ideal but a necessity if we are to provide our clients with the best possible quality of service. Accordingly, we have formalized our policy of experience requirements for promotion as outlined below.

"All inexperienced staff people employed since January 1, 1962 must meet the broad minimum requirement of having experience in at least two of the three classes of service—audit, tax, and management services—before they are eligible for promotion to Supervisor or Senior Consultant."

Each one of us in the profession of Certified Public Accountants must continue to study and learn if we are to be equal to the challenges and opportunities created by the postwar revolution in information technology. This is of the utmost importance to our clients and hence to the firm and to each of us. By the time a person reaches the level of maturity from which new partners are selected, he should have a comprehensive working knowledge of all of the services we offer. He may be an expert in only one field of our practice, but he will know enough about the other fields to recognize situations where those services will be beneficial to the client.

Business today is calling on us for co-ordination of specialties and it is our responsibility to comply. This we are doing by means of the integrated services concept through the agency of our general service partner. If we do this well, we will attain our growth objectives, we will be better able to reward outstanding individual effort, and most important of all, we will improve our ability to fulfill our obligations to our clients.