

4-1989

Putting Together A Firm-Wide MAS Strategy

Wayne Bremser

Jiunn C. Huang

Karen L. Hooks

Follow this and additional works at: <https://egrove.olemiss.edu/wcpa>



Part of the [Accounting Commons](#), and the [Women's Studies Commons](#)

Recommended Citation

Bremser, Wayne; Huang, Jiunn C.; and Hooks, Karen L. (1989) "Putting Together A Firm-Wide MAS Strategy," *Woman C.P.A.*: Vol. 51 : Iss. 2 , Article 8.

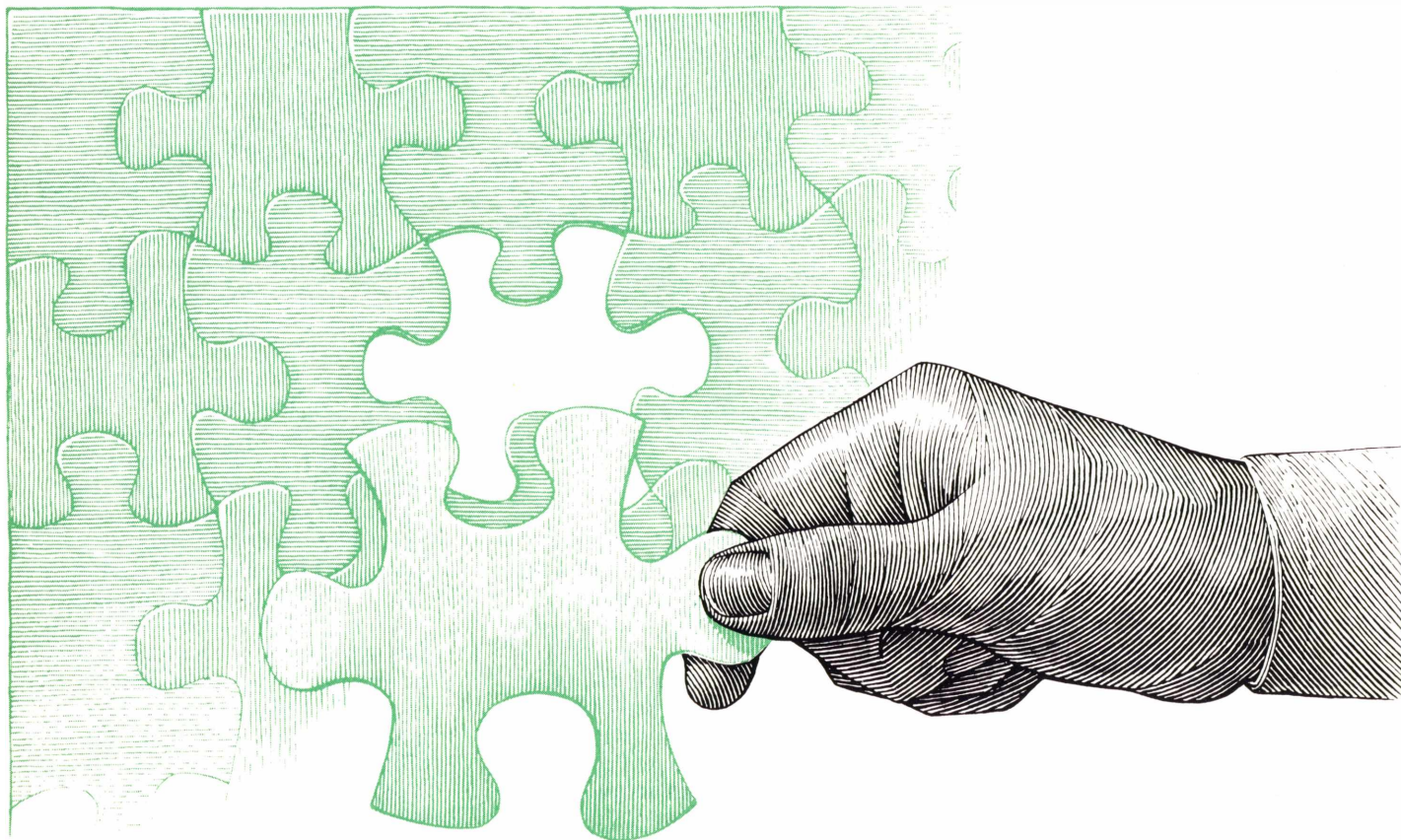
Available at: <https://egrove.olemiss.edu/wcpa/vol51/iss2/8>

This Article is brought to you for free and open access by the Archival Digital Accounting Collection at eGrove. It has been accepted for inclusion in Woman C.P.A. by an authorized editor of eGrove. For more information, please contact egrove@olemiss.edu.



Putting Together A Firm-Wide MAS Strategy

By Wayne Bremser and Jiunn C. Huang
Editor: Karen L. Hooks, University of
South Florida, Tampa, FL 33620



Intense competition in the traditional service areas — accounting, auditing, and tax — has caused many CPA firms to look elsewhere for growth opportunities. Management advisory services (MAS) are a natural extension of accounting, auditing and tax services. Oftentimes, MAS

engagements arise because need is identified when accounting or auditing services are provided. An expansion-minded CPA firm should look beyond these obvious MAS opportunities and develop a deliberate strategy to market MAS which is likely to be more profitable than an unplanned effort.

Basic Strategy

By devising and following a long-range plan for an orderly expansion of services, firms can efficiently develop their capabilities. The starting point for devising such a plan is to assess the profit potential of MAS opportunities.

What are those opportunities? To answer this question, a list of MAS opportunities was developed from a review of the MAS promotional brochures issued by national CPA firms. These documents explain the firms' MAS capabilities to potential clients. The listing in Exhibit 1 evinces the wide range of offerings.

From Exhibit 1, it is obvious that services such as designing and implementing general and cost accounting systems, cash and working capital management, internal and budget control, and profit and financial planning are closely related to accounting and should be a natural extension of accounting and auditing services. A firm's existing staff has the basic knowledge and qualifications needed to perform these services, and costs for additional training and related investments to offer these services should be low. Since these services are relatively easy to offer, competition from other firms is likely to be strong.

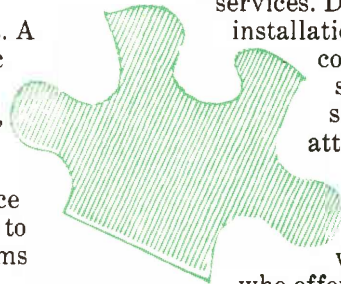
A strategic move to specialize in selected MAS categories is the path to a more profitable MAS practice. Exhibit 1 lists many opportunities. However, these opportunities can become pitfalls. To evaluate the profitability of the various opportunities, a profit potential assessment based on market attractiveness and the firm's competency potential to provide services should be made.

Market Attractiveness

Market attractiveness is determined by the business

environment in the CPA firm's market area. First, look at the current and prospective needs of audit and accounting clients. While keeping the independence constraint in mind, identify an initial list of potential services. The current client relationship makes these services the easiest to sell.

Second, revise this initial list by adding other services that seem attractive for the market area. Third, evaluate market size and growth for the services on the revised list by looking at business trends in the market area. For example, if growth is in service industries, MAS offerings oriented toward these clients are most promising. Developing consulting capabilities to serve firms in the growth sectors of the local economy may eventually lead to new audit clients. Fourth, look at the intensity of competition among current and potential providers of the various services. Design and installation of

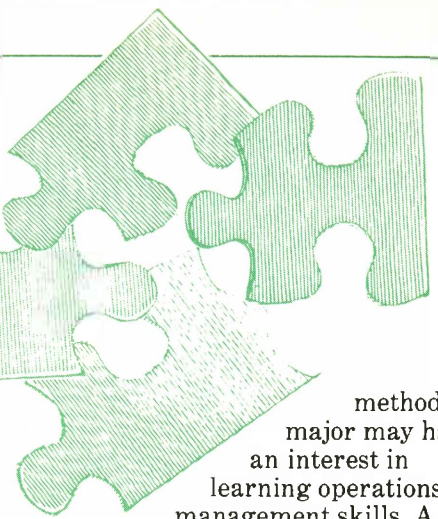


computerized systems may seem to be an attractive market, but many market areas are saturated with consultants who offer these services.

The end result of this analysis should be a list of potential MAS opportunities ranked by market attractiveness.

Competency

After the initial ranking, the firm's competency to provide these services should be evaluated. Large firms can hire people with the necessary skills. In smaller firms, the skills and interests of the firm's staff must be evaluated. A basic interest in a promising service area should not be underrated. A former mathematics or quantitative



methods major may have an interest in learning operations management skills. A former economics major may want to work with clients on forecasting market demand for products. If staff personnel have a basic interest in a type of service, investment in developing specific skills may be worthwhile.

The investment in time, tuition, books, equipment, computer software, and materials required to attain the necessary level of competency should be estimated. Likewise, the cost of maintaining competency should be considered since some specialties require substantial continuing investments in training and equipment. If these investments are substantial, the competency potential rating should be downgraded.

Care must be exercised in assessing the investment. For example, tuition costs for maintaining competency may not be a relevant cost if 40 hours per year of continuing professional education are required, and there are no other pressing education needs for the particular individual. Also, the individual's long-run commitment to the firm is a factor in assessing the investment. Someone having five years with the firm and outstanding partnership potential would be worth a significant investment if the potential payoffs are MAS fees for the firm and job satisfaction for the individual.

The competency evaluation process will usually result in a revised ranking of the market attractiveness list of potential MAS offerings. For example, a service previously ranked first according to market attractiveness might now be fifth because the firm's competency potential is only



moderate. A second look at market attractiveness and competency might result in further revisions of the rankings.

Commitment

As a result of these assessments, a final ranking emerges, and a firm can make a commitment to provide the top-ranked services. Initially, the plan might be to offer and promote the top three or four services on the list. In subsequent years, the firm's offerings could move down the list.

The firm's rankings may change as market attractiveness and competency factors change. Two factors that may significantly affect a firm's long-range planning and MAS expansion opportunities are computer technology and expert systems.

Computer Technology and Opportunities

The fast growth in computer technology — minicomputers, microcomputers, word processors, photo compositors, and new communication techniques — has created ample opportunities for new advisory services. Typical types of services related to computers, as shown in Exhibit 1, include information needs analyses, feasibility analyses, systems design and implementation, hardware and software selection, office automation, and data security reviews. Performance of these services requires specialized knowledge and expertise in the computer information systems area.

Staff with EDP auditing experience may be able to use self-study methods to develop the skills needed for the firm to offer computer services. Others less competent in computers but willing to learn would require formal continuing professional education.

A firm's investment in computer training promises a dual payoff. As costs of computing equipment and accounting software continue to fall, clients will expand their appetites for these items. With a competent staff, a CPA firm can advise a client on hardware and software acquisitions. Besides earning MAS fees, when the time comes to provide accounting and auditing services, the potential for unpleasant surprises from a newly installed computer system is diminished.

Although providing computer consulting services will probably require additional investments in facilities, equipment, and staff, the opportunities for services to clients on an ongoing basis will continue to expand. For example, if a CPA firm has a specialty in a specific area such as health care, it may develop a general purpose cost allocation electronic spreadsheet template to be used by its clients. Similarly, if a firm is strong in a specific application such as budgeting and financial modeling, general templates can also be developed for these applications.

Expert Systems

Any discussion on opportunities of MAS arising from high technology would be incomplete without considering the development of expert systems. An expert system is a set of computer programs that has the knowledge and capacity to operate at the expert level. Unlike conventional application programs such as spreadsheets, data base, and accounting packages that generally automate tasks containing relatively simple logic, expert systems store millions of facts and thousands of rules and automate complex logic tasks. Expert systems provide users with the knowledge that human experts can acquire only through years of study and experience, and this knowledge is used by the systems to think, to

reason, and to make recommendations.


Expert systems are already in use in various disciplines, performing a host of extremely sophisticated functions. Oil and gas producers use expert systems to determine the location of valuable minerals. Major university hospitals use expert systems to assist in the diagnosis of disease and to interpret medical test results. Car repair centers rely on expert systems to diagnose problems and guide diesel engine repairs.

In the accounting and auditing areas, expert systems are available to provide estate planning recommendations, to perform an analytical review, to identify areas of concern to the auditor, to interpret financial statements, and to analyze a company's allowance for bad debts. In addition, research projects are underway to determine what knowledge is necessary to make fundamental audit decisions and what factors cause expert auditors to outperform novices.

It should be emphasized that although expert systems will make many decisions that were once made by humans, this fact does not mean consultants will no longer be needed. Consultants will develop the databases and interact with the expert systems to develop information for the decision-making process.

Wayne G. Bremser, Ph.D., CPA, is a professor of accountancy at Villanova University, Pennsylvania. He is a member of the AICPA, AAA, Pennsylvania Institute of CPAs.

Jiunn C. Huang, Ph.D., CMA, is a professor of accounting at San Francisco State University. He is a member of the AAA and NAA.



Expert systems can be a short cut to attaining the necessary competency level for offering a particular MAS. With many expert system products scheduled to make their debut in the coming years, firms must continually monitor any new offerings to see if they provide new opportunities.

Conclusion

Careful planning to identify opportunities and to match a firm's capabilities with these opportunities is the key to a successful MAS consulting practice. Blind expansion could be the seed for failure. Accounting

firms should develop short-term and long-term strategies to market MAS. In developing a firm-wide MAS strategy, consideration should also be given to the opportunities on the horizon provided by developing technologies in personal computers, decision support software, and expert systems.

EXHIBIT 1: MANAGEMENT ADVISORY SERVICES OPPORTUNITIES

Accounting and Financial Management

General Accounting Systems Design and Installation
Cost Accounting System Design and Installation
Cash and Working Capital Management
Corporate Tax Planning
Financial Planning and Modeling
Profit Planning
Budgeting and Control Systems
Ratio Analysis

Personal Financial Planning

Income Tax Planning
Estate Planning
Personal Financial Plans

Litigation Support

Forensic Accounting
Expert Witness
Valuation
Antitrust
Divorce Accounting
Bankruptcy
Fraud Investigation

Computer Service (Information Management)

Personal Computer Hardware and Software Analysis
Information Needs Analysis
Management Information Systems
Systems Design and Implementation
Feasibility Analysis
Hardware and Software Evaluation
Project Control Systems
Office Automation
Clerical Methods and Procedures
Short- and Long-Range Planning
Data Security Reviews

Corporate and Business Planning (Strategic Management)

Objectives and Goal Definition
Short- and Long-Range Planning
Growth Strategies
Merger and Acquisition Analysis
Business Valuation

Operations Management

Forecasting Systems
Order Processing Systems
Material Requirements Planning
Production Planning and Quality Control
Inventory Management Systems
Facilities Requirements
Assess Operational Effectiveness
Review Operating Policies

Marketing Management

Marketing Information Systems
Sales Compensation Programs
Customer Service Programs
Marketing Cost Control
Distribution Planning
Marketing Management Methods

Human Resources Management

Manpower Planning
Compensation Programs
Job Evaluation
Personnel Management
Performance Planning and Review
Productivity Improvement/Work Simplification
Personnel Information Systems
Training
Executive Search

Organization Analysis

Formal and Informal Reporting Relationships
Analyze Duties and Responsibilities
Effective Organizational Relationships