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Career Opportunities in Management Advisory Services

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DURING the past year or two there has been considerable interest on the part of graduating students in the area of the accounting profession known as Management Advisory Services. Somehow the word has got around that this is the work to get into. It is fair to say, for those who are willing to spend the time and effort and who have the requisite intellectual ability, drive, and stamina, that it could be very rewarding. The rewards will not be in the form of stock options or bonuses as this is not the professional way of life. They will be more than adequate, however, for a respectable standard of living as a good piece of professional work will always justify a satisfactory fee.

This area of management advisory services is an integral part of the accounting practice and cannot readily be divorced therefrom. It will be well, therefore, to give you some background of the development of the profession as a whole and then to show you how management advisory services relate to the total practice. As I will be speaking of management advisory services from the viewpoint of our Firm, I shall also, with your indulgence, give you some of the background of our Firm.

DEVELOPMENT OF THE PROFESSION

The accounting profession began its development a little over a hundred years ago in England. This was the beginning of the Victorian era; railroads were being constructed; the first corporations were being formed; and there was a period of considerable economic growth and speculation. Much of the early work appears to have developed from bankruptcies and insolvencies. Accountancy was learned by apprenticeship and generally with no remuneration during the first year other than what was learned during that time. Three accounting societies were formed in Scotland shortly after the midpoint of the century and one in England in 1870.

The first professional organization in this country was formed in 1886 and was incorporated the following year in New York as the American Association of Public Accountants. According to one of its members, the initial membership roll of 31 practically constituted the total exponents and representatives of professional accounting at that

time in this country. The 1890s saw the establishment of a number of fairly large accounting firms, some of English origin and others, like our own Firm, purely American. In the intervening years, the profession has grown steadily in size and technical competence and in a sense of social responsibility. The growth of industry, the need for financing, the increase of industrial employment all contributed to the growth of the accounting profession. In 1890, only one person out of three lived in places of more than 2500 inhabitants, and 70 per cent of the workers labored ten or more hours daily on an average wage of \$600 a year. We were primarily an agricultural nation and an income tax had been declared unconstitutional. On the other hand, we were on the threshold at becoming one of the great powers.

CORPORATE GROWTH

This was also a time of great change in the conduct of business and industry. This was the time when we began to see large consolidations and considerable emphasis on economy through large-scale operations. During the years 1898 to 1902, there were 168 consolidations of manufacturing and mining enterprises, capitalized at five and three quarter billion dollars. It is easy to see how the financial and cost problems involved in these consolidations would exert a tremendous demand on the newly developing accounting profession.

PROFESSIONAL STATUS

The first legislation in this country to create the professional designation "Certified Public Accountant" was passed in 1896 by the New York legislature. Both of our founding partners qualified under the terms of the Act and Mr. Haskins, who had taken an active interest in the legislation, was chosen as first President of the Board of State Examiners of public accountants. In the following year he was elected first President of the New York State Society of Certified Public Accountants, an office which he held until his death.

Mr. Haskins also took a leading part in the founding in 1900 of the School of Commerce, Accounts, and Finance of New York University and served as its first Dean. He set his sights high and imparted a strong initial impetus to a school which has made a notable contribution to business education.

EARLY DAYS OF OUR FIRM

In the early months of 1893, a Congressional commission composed of three senators and three representatives was created to investigate the operating methods of the Executive departments in

Washington and to recommend such improvement and economies as could be made without injury to the public service. Before the formation of our Firm, our two founding partners, Mr. Haskins and Mr. Sells were designated as experts to this commission which came to be known as the Dockery Commission. The financial panic of May 1893 swept the nation into a severe depression and the economy project began to be taken seriously, not only by the new President, Grover Cleveland and the Congress, but by the press and public as well.

The interim reports of the Commission's two full-time investigators received a surprisingly large measure of approval and many of them were put promptly into effect. When the Commission was automatically dissolved by the expiration of the 53rd Congress on March 4, 1895, annual savings of \$600,000 a year had been definitely effected and further recommendations involving annual savings of \$400,000 had received Commission approval. On this same day, these two men formed our Firm in New York and made a public offer of their services to corporations, municipalities, and others to make examinations and to introduce simple and efficient methods of accounting.

Thus, in a very short period of time and from a very small group of men, we see the beginnings of much that is important today; the foundation of our professional societies, the legislation to create CPA's, the start of business schools to train them, the formation of accounting partnerships to serve expanding industry and the use of accountants as consultants.

One of the early engagements of the Firm was a revision of the Post Office money order system, including the devising of internal controls against embezzlement.

We opened an office, our second office, in Chicago in 1900. The installation of uniform accounting and internal auditing systems throughout the sprawling structure of the Chicago city government was one of our earliest engagements.

In the intervening years there have been numerous engagements to introduce simple and efficient methods of accounting. There have also been substantial engagements for various government agencies, colleges, hospitals, and other institutions not for profit.

During the First World War, our Mr. Dunn was head of the Bureau of Audits of the Alien Property Custodians Office and Mr. Ludlam was Chief Accountant for the United States Liquidation Commission. In the Second World War, General Carter, who was then the head of our Firm, became the Fiscal Director of Army Service Forces, and was responsible for the accounting and auditing procedures of the War Department during that period when the expenditures were

of unprecedented magnitude. Mr. Auld was Chief Accounting Officer of the Navy in the First World War and organized the Cost and Audit Branch of the Navy in the Second World War. Several others served in similar positions of responsibility.

DEVELOPMENT OF MAS GROUPS

Out of this background of consultation and accounting systems development, which was carried on within the regular accounting practice, there arose a number of individuals who were more suited to this type of work than others. Eventually, most of the accounting firms came to realize that they should establish separate groups to handle these types of engagements. The impetus came from many sources; from the demands of war plant expansion, from the wartime and post-war period, and more recently from the development of electronic computers. Business life has become exceedingly complex and as businessmen look outside their organizations for professional help, we are trained and available to help them.

NATURE OF ENGAGEMENTS

It is sometimes difficult to define where accounting and where management advisory services begin. It really is not necessary from our viewpoint to make this distinction. Our partners and staff are generally qualified in this area and many such situations do not require a specialist. We would not normally use an MAS consultant unless it were a lengthy engagement or sufficiently complex to justify a specialist. Our engagements fall, for the most part, into the following five categories:

1. Profit planning, which would include responsibility accounting and budgetary control.
2. Cost accounting which would include manufacturing, distribution, and administrative costs, and return on investment.
3. Production control including inventory control, scheduling, and related procedures.
4. Accounting or clerical systems and procedures.
5. Electronic data processing.

In general, our engagements are accounting-based and oriented. They are in those areas where we believe that a professional accountant has adequate training and experience and where it can be expected that our partners are sufficiently competent to evaluate the work being performed. We do not get involved in types of work such as market research or factory layout which may be considered in the area of competence of other professions.

Our approach to this type of work is one of consulting rather than doing. By that we mean that we would direct the work of members of our client's staff, in the installation of a proposed system rather than install it ourselves. We do not transfer men into this activity until they have had sufficient staff experience to direct the work of others and have gained sufficient diversified accounting knowledge to be in a position to be able to contribute effectively to any particular problem.

Our standards for selection are quite high. We need only those who are willing to spend the time and effort to acquire the requisite background of knowledge and experience that will enable them to advise other people what to do. Really good consultants are few and far between and we have not yet found a way to mass-produce them. The process of developing a consultant to full maturity is a slow one and quite costly. Fortunately, our turnover is almost negligible which is due primarily to our selection and training procedures.

OPPORTUNITY IN PUBLIC ACCOUNTING

In many organizations it seems customary to hire, over their immediate needs, a number of people of considerable talent, and let the law of the survival of the fittest take over from there. One of the real dangers in such an approach, even if it can be morally justified, is that the more capable men will become dissatisfied and their work will deteriorate or they will leave the organization. There is nothing comparable to public accounting for the man who wants to develop his full capacities as fast as he can. The vertical advancement possible in public accounting can rarely be matched in the business world.

This is why we want our consultants to have experience on the audit staff. The experience that can be gained from going into the many companies, both large and small, with whom we are professionally associated, is just not obtainable elsewhere. The varied types of manufacturing, the varied types of distribution with which we are constantly in contact offer an incredible amount of knowledge that can be investigated, related, compared, and absorbed to form a sound knowledge of how various management problems may be solved.

For the observant individual, it is not only intensely fascinating but a continuing series of lessons in fact finding and analysis. At the same time, he will develop two important abilities of handling people and learning to work in an orderly and systematic manner. People outside of the accounting profession are often amazed at the work that accountants can accomplish during a day, an ability which is usually learned quite early in their career.

In addition, the three to five years on the audit staff enable a staff man to acquire a CPA Certificate which will be of value to him regardless of what the subsequent years may bring. It is a standard of professional recognition in business circles.

STAFF TRAINING

We have various training programs for our staff and we conduct CPA review courses for those who are preparing for the CPA examinations. We seek to obtain the best accounting teachers in the area for this purpose. In the years preceding transfer to the MAS group, we arrange for MAS candidates to participate in the training programs of these groups and to attend such courses and seminars that would appear to be helpful to their general development.

We would prefer to train a man in the whole range of management advisory services rather than in any particular specialty. We do not think that it is as important for a man to understand electronic data processing in a specialized way as it is for him to understand how it can be applied to other major areas such as budgetary control, cost accounting, production control, and similar procedures or to use it in solving other management problems. This is not always easy to do as there is a fatal fascination for some men in an area such as cost accounting or data processing which tends to inhibit their development in other areas. All men seem to favor one area of specialization over others but we prefer to develop our consultants as broadly as possible.

TYPE OF MAN REQUIRED

You may well ask just what type of man might be successful as a consultant. There does not seem to be any easy answer to this question. We think that he should be a qualified accountant, but we know of many who are not CPAs who have been, nevertheless, quite effective as consultants in these same areas. It can be said of them, however, that they have professional integrity, technical competence, and quality standards that we would expect from a professional accountant.

There needs to be a sincere desire to help others obtain worthwhile objectives, something approaching missionary zeal. There must, of course, be intellectual capacity and the ability to get along well with people. There must be sufficient leadership ability to see that things get done well and in good time. There must be a willingness to put client needs and demands ahead of personal needs and demands. Beyond that it is probably nothing but hard work!