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Management Services Training in the Development of a CPA Firm

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As an ever-larger number of CPA firms becomes involved in management advisory services, the training of their MAS staffs becomes critical. A complicating factor is that many who must take such training are already expert in their own specialized fields—

MANAGEMENT SERVICES TRAINING IN THE DEVELOPMENT OF A CPA FIRM

by John D. Lesure
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An important phase in the growth of a successful CPA firm is the development of management advisory services. And a significant aspect of that phase is a program of training and education in management services subjects. This article will consider the attributes of such a program from the standpoint of a CPA firm that is already involved in management advisory services or is about to become involved.

Both training and education are necessary for a complete program: training in the skills demanded by particular disciplines and education in the broad stream of accumulated knowledge and attitudes surrounding the practice of management. The distinction between training and education is useful in that it illuminates how their disparate objectives contribute to an adequate program of instruction.

On the one hand, training in management advisory services seeks to build proficiency in the functions of managing and management consulting. Thus, a man may be trained to analyze organization structure or to improve the productivity of an operation or to construct a system of reporting and control. As his training proceeds, the accretion of expertise should in time qualify him as a specialist in one or more areas of management.

On the other hand, the goal of education, even when oriented toward a set of disciplines such as management advisory services, is to augment a person's knowledge and understanding of the philosophy, principles, and theory of management and also the characteristics of the environment in which management is practiced. Through education a person strives to attain the stature and the depth of understanding that his endowments permit.

The CPA firm's needs for training and education in management advisory services are dictated primarily by the requirements of three groups: the partners in the firm, the business community it serves, and the staff it employs.

Since responsibility for managing a firm rests with the partners, the firm's own interests are served when a continuing program prepares those individual partners to share the burdens of management. The faster a firm's growth, the greater is its need for qualified partners, and hence for a program to provide qualifications in management principles and methods.

The community that CPA firms serve (dominated by but not limited to business concerns) needs and deserves qualified assistance in conducting its affairs in a dynamic and generally competitive environment. Managers continue to look to CPAs for guidance because CPAs, through their education and experience, have an extraordinary opportunity to gather a knowledge of and a feel for those things that go into the making of a successful organization. A CPA firm should therefore try to augment its expertise in management matters in order to qualify itself to conduct consulting engagements for its clients on a professional level.

In its quest for management services talent a firm may hire outside experts. But the needs of the profession and of the community are served better by those firms that also undertake instructional programs of their own. It is not too harsh a judgment to say that a firm without a training program is shirking its professional obligations.

This brings us to the third group to benefit from a program of continuing education: staff personnel whose advancement depends on opportunities that such a program makes possible. A firm owes it to its professional employees to encourage their personal development by providing the training and education that will equip them to assume increasing responsibilities. In this, the firm's self interest parallels the interests of its professional staff.

A responsibility for training their professional staff falls on all firms, including those that acquire competence in management services by hiring specialists from outside. The difference for these firms is that their staffs now include engineers, economists, or others who need to be trained in the theory and practice of accounting.

It is important that the entire staff share a common body of knowledge with respect to the basic functions of CPAs in the business and financial community. Along with knowledge of these functions, it is also well for everyone to understand how auditing activities are designed to fulfill the CPA firm's role and what the code of professional ethics seeks to accomplish.

The AICPA committee on management advisory services has suggested accreditation of nonaccountants by means of certifying examinations in auditing, ethics, accounting theory, and elements of MAS. This suggestion (reported in MANAGEMENT SERVICES for July-August, 1970, p. 12) could create a climate in which the kind of training for nonaccountants that we are discussing would become professionally obligatory.

Continuity of the firm

The partners in a firm have an obligation to prepare their successors for the responsibilities that must eventually devolve upon them. Moreover, this obligation to perpetuate the firm and its management is owed to the community, for the community supports the institutions that serve it, and it relies to varying degrees on the continuity of their existence.

Nor is mere continuity all that is implied. The effort to carry on should be accompanied by persistent attempts at betterment: higher competence producing better service and, ultimately, an enhanced reputation for the firm.

It must be conceded that training and education, no matter how ardently pursued, will not resolve all the difficulties of management and succession. But it offers a means for coping with the threat of inadequacy at critical periods. And it helps in another way, too.

Recruitment of high-calibre personnel is essential to the success of any firm; and recruitment activities are bolstered by the existence of satisfactory training programs. The graduate who enters an accounting firm is concerned about the training he will receive there and the training that his supervisors and co-workers have been exposed to. He expects to learn from them.

So we find that, in recruiting personnel, a firm should offer training and education; in holding a qualified staff, it should offer a program of personal development; in serving clients effectively, it should equip people with the principles and techniques of management advisory services; and in preparing to perpetuate itself, a firm should develop management skills among its partners.

Intensifying the multifaceted need for training is the fact of rapid technological change. It is estimated that half of what a successful career man will need to know in 1975 has not as yet been designed, created, written, or established as policy. Under these circumstances, a professional man's education cannot be allowed to stop when he receives his baccalaureate or his master's degree—on pain of early obsolescence!

Industry will continue to introduce novel products and complex processes. In the United States and Canada, 7,000 new products entered the market in one recent year. Technological change affects accountants, and rapid change presents sizable challenges.

Client companies will continue to expand by entering new industries and the CPA must be prepared to cope with new situations in an unfamiliar environment.

New concepts and techniques of management are finding acceptance in a changing economic and social environment. While research in the behavioral sciences is regularly destroying time-honored presumptions in human relations, mathematical methods are being employed to devise improvements in the processes of decision making and control, and computer technology is making more information accessible more rapidly.

The implications of all this turmoil for the CPA are clear: continual training and education must be a part of his life style—more so than for many other groups.

The MAS staff

The work of management advisory services groups is such that breadth of background and diversity of experience are desirable attributes for an individual and a staff to possess. As a consequence, it must be expected that the members of a group will come from a variety of sources and exhibit a variety of characteristics.

While this diversification in background is beneficial for the performance of diverse duties, it poses problems in designing a program of training and education. It would be much easier to decide what instruction to give to a more homogeneous group.

The management advisory services staff may have been recruited from many sources. Some accountants may come from the firm's audit department, and perhaps from the tax department. There may also be accountants and engineers who have acquired skills at other firms or in commercial and industrial concerns. And there may be recent graduates without experience.

As a result of heterogeneity, no training program can be suited to all. Programs can be tailored to individuals up to a point; then compromises become unavoidable. While some trainees are struggling to grasp a given segment of a course, others will find the same material old hat.

Even educational backgrounds will differ in several ways. The programs offered at various business schools, at graduate and undergraduate levels, are far from standardized. And consultants often come from liberal arts and engineering schools, too.

As a result of this heterogeneity, no training program can be perfectly suited to all. Programs can be tailored to individuals up to a point; then compromises become unavoidable. While some trainees are struggling to grasp a given segment of a course, others will find the same material old hat. So long as marked diversity is an operative factor, some amount of unhappiness will have to be tolerated.

Nevertheless, an effort must be made to suit each course to the trainees. Those who are highly proficient should be excused from attending or called on to instruct segments they are qualified to handle. Those who lack the prerequisites may be asked to do some preliminary reading.

The presence on a staff of specialists in management services with diverse backgrounds creates opportunities for cross-training. Not only do inventory people and industrial engineers have some things to tell each other, but EDP specialists can teach auditors what they need to know about computers, while the auditors teach accounting and auditing to the engineers.

Whatever the subject matter, imaginative presentation can go a long way toward holding the attention of the entire group. It is well, therefore, to assign competent instructors and to prepare training material thoroughly for every course.

But there are other characteristics besides proficiency and previous exposure. Let us examine some of the characteristics of management advisory services specialists that are relevant to our subject, for there are generalizations that apply broadly.

These specialists are likely to have quick, analytical minds. At all ages, they will grasp complex material with little difficulty.

They are likely to score high in space visualization, an attribute that enables them to project bits and pieces of a system into a concept of the whole.

They will be articulate, ready and able to speak their minds.

Their attitudes will reflect an innovative, problem-solving approach. Consultants are likely to seek creative outlets.

It need hardly be said that they will be alert to opportunities for changing and improving rather than accepting things as they find them.

They are likely to be well educated, with technical backgrounds predominant.

A number will have taught classes, usually at the college level.

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In a training course, they may apply their powers of observation to critical analysis of the teaching techniques in use.

Being adults, the trainees will want to see the advantages of learning the subject matter of a course. They are perhaps less inclined than young students to accept learning for learning's sake.

Principles must be stressed

At the same time, the trainees will want to see the principles that underlie practical material. Exclusive dedication to a low-level, "how to" approach will almost certainly be offensive.

Practicing in a highly competitive field can make consultants tough-minded. In addition, they are exposed repeatedly to surroundings that hold a measure of hostility—yet defensiveness on their part is not allowed.

All in all, teaching a group of consultants presents a challenge of a high order. Standards must be rigidly adhered to throughout. Course content must be carefully selected. Methods must be appropriate to the calibre of the group.

What kind of program?

When a firm undertakes to train its personnel, there are preliminary evaluations and decisions to be made. The objectives of the program must be established, and the backgrounds and characteristics of the trainees must be accommodated. Only then can a program be planned with a reasonable expectancy of success.

What options are open to a firm that wants to train selected people to perform management advisory services engagements for clients? (The firm may want additional programs at the same time: one for training partners in practice administration; another for training non-accountants on the staff in accounting and auditing theory; etc.) But let us fix our attention on a training program to enhance the staff's expertise as consultants.

To some extent, employees select their own training and education. They read; they attend night school; they participate in outside programs. State CPA societies and other groups run professional development activities to meet this demand.

In addition, staff men frequently influence their own assignment schedules, with a view to broadening their own experience. This is especially effective where the clientele is diversified, the scope of management advisory services is wide, and managers are conscientious about on-the-job training.

The firm can, of course, encourage scheduling of assignments that will enhance the background of individuals; and it can train and encourage its managers to look after the training needs of the staff on assignments. These considerations should be part of the total program, to be applied methodically. Without consistent, purposeful application, however, a program does not really exist, no matter how thorough the planning or how good the intention may be.

The firm can also send its people to selected courses at regular evening sessions or special short courses given by some institutions. Or it may register some of its staff in professional development programs conducted by the AICPA, the AMA, and other associations.

While there is a place for outside courses in a firm's training program, there are drawbacks a firm must face if it intends to rely heavily on these courses. They cannot be altered to suit the firm's precise needs, whether these needs are defined in terms of client problems or staff characteristics.

Furthermore, while an outline may describe the contents of a course in detail, there are still intangibles that constitute unknown factors. Operating in the dark, or in a kind of twilight, the firm has to select individuals to fit the course, rather than the other way round.

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neity described earlier—than to put its training into the hands of outsiders (unless the number of trainees is small).

Having decided to train personnel in the work of management advisory service engagements, the CPA firm looks next to the services it offers and those it is preparing to offer.

Two issues confront a firm contemplating an extension of its practice into a specific area: Does it have the competence to direct and perform engagements? Is there a need for such engagements among the firm's clients?

Obviously, training is intended to raise the level of competence available for performing engagements. But directing them is another matter; and a firm's judgment as to its competence on this score will precede its commitment to a training program in a new area.

As a matter of economics, there can be no question that only client demand can warrant the preparation for offering a service. Estimating the demand can be difficult, however, because needs will turn into engagements only when clients become aware of their deficiencies, of the prospects for corrective action, and of the firm's ability to solve their problems. Clients also have to be willing to foot the bill for a thorough, professional job.

Consequently, the decision to offer a service may depend on the firm's willingness to do some explaining, some selling of ideas, among its clients. For this, the participation of audit partners is essential.

So the issue comes down to this question: Will the audit partners support the new activity? Sometimes the answer is yes, provided that steps are taken to instill in the audit partners an awareness of their role in generating management advisory services. At the same time, they should know also what results to expect from an engagement. This is minimal information for audit partners.

In other words, when a firm undertakes to develop expertise in management advisory services, it must simultaneously plan to instruct its audit personnel, and especially its partners, on the objectives of its services and the conditions they aim to correct. The firm must also have evidence that the audit partners as a group will welcome, or at least accept, such instruction.

Many methods are available for group instruction. Lectures are the least popular; but their acceptance can be improved with slides, demonstrations, and handouts. When offering a full day's program, a firm should be prepared to interpolate other methods between lectures. Films or film strips may be borrowed to put variety into the training sessions.

Participation

Group discussion is livelier than a lecture. It is particularly useful when the participants are able to contribute to each other's understanding of a subject and an experienced leader guides the discussion. A panel of experts discussing a subject for an audience of trainees lies somewhere between the lecture and the group discussion in holding the listeners' interest. The contribution of experts should certainly exceed the contributions that can be elicited during a group discussion.

Training is most effective when it relates closely to the job at hand. Two methods come closest to simulating actual conditions: work shops and role playing. A variation of role playing is to record participants on videotape, so that they may observe themselves in a playback.

Trainees welcome handouts, which serve later to reinforce the learning experience. Cassettes may also be used for reinforcement or for individual training.

Whatever the method, a training program can be developed only for specific subject matter and skills that are capable of documentation. It is futile to try to impart a skill that is not understood.

Excellent results are obtained by reinforcing aural presentations with visual material. Films, film strips, and TV tapes accomplish this; so do slides that accompany a lecture.

Visual aids are particularly useful when the subject is not sufficiently interesting to hold the audience's attention for the length of the talk. Slides can lend interest. They can also help to achieve coherence by bridging the gaps between subjects.

Complicated matters can be explained better with diagrams; unfamiliar equipment can be presented best with pictures; and strange terms are accepted more readily when they are spelled on a screen. These are all legitimate uses for slides or other visual projections.

There is no question that the proper use of visuals improves the retention of learned material by the audience. In fact, training directors report retention above 80 per cent with audio-visual techniques—an astonishing result.

Training—work integration

The value of formal training attenuates rapidly with disuse. Consequently, a formal training program should be integrated with work assignments and on-the-job training. The sooner the trainee uses his newly acquired knowledge, the more effective the training process will be.

Even when formal training is followed immediately by a related work assignment, there is a transfer problem. A sound program prepares to meet this difficulty; material is presented as nearly as possible in the framework of the job. Indeed, a pragmatic, job-oriented approach is the earmark of a good training program.

Since retention of learned material is greatest when it is put to immediate use, a training program should be scheduled to coincide with prospects for assignment. Initially, orientation in the philosophy of management advisory services should be offered to the new hire

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or transfer, along with his indoctrination in the scope of services offered and the administrative procedures associated with engagements.

Later, specific skills should be developed as they are required by an expanding practice or to fill staff openings. For skills in great demand, this ideal may often be realizable; but for the more esoteric fields, formal group training as the need develops is not practical, and some compromise is necessary.

Location

Formal classes and seminars should be held away from the office in an atmosphere conducive to relaxed learning, free from interruptions that destroy the detachment of the group from ongoing activities.

Meetings should be held in a room large enough to hold people, tables, and equipment comfortably. A classroom with blackboards and screen and an unobstructed view is best. Variable lighting is desirable if the program comprises both visual projections and writing at desks.

Of the seating arrangements that are available, the large V is generally useful for groups up to 20, and chevron style above that size. Both V and chevron arrangements help trainees to see participants from among their number.

Lunch should be light. It is a good idea to hold the group together through the lunch period. Coffee breaks should be provided at mid-morning and mid-afternoon.

Measurement

Ideally, participants in a training program should be tested both before and after, to gauge results accurately. Pre-testing may not be feasible, but a quiz each day, or at least at the end of a program, can tell something about its effectiveness. Quizzes can also provide information for planning other courses.

Participants who expect a quiz give evidence of remaining more alert through a training program, an incidental benefit not to be scorned.

We distinguished earlier between training and education: education to broaden a person, training to equip him to perform a function.

The educational portion of the complete program for training and education has its own characteristics. The need for this portion rests on a different basis from training needs; the objectives are therefore different; the participating individuals may be different; and timing considerations will be different.

Breadth of knowledge not only contributes to the personality of an individual, but it also equips him to compete in a world where information growth is rapid and, in particular, in a field of endeavor where knowledge has value. So competitive pressures impel educational programs.

Environmental change also operates to the advantage of those who continue their education. New challenges arise regularly in a changing society. The continuing development of science and technology, and the related evolution of industry, require a broadening base of knowledge if their implications are to be understood. Electronic technology that has brought the whole world into people's living rooms has somehow created a need for greater knowledge of fundamental concepts even while providing a surfeit of details to digest. And so it goes. The more gigantic mankind's leaps become, the smaller a man's steps are in proportion, and the faster he has to move to keep from falling behind.

An objective of education, as opposed to training, is to broaden and update the theoretical background that the individual brings to his efforts at understanding and improving management. To meet this objective, education should be directed toward such things as developments in the behavioral sciences. Here we have a steady stream of discoveries to be applied to managing people. We ignore them at our peril.

The content of a specific course must be selected with the participants in mind. Recent college graduates are familiar with much late research that older men may not even be aware of. In general, education may be directed toward the older group, while training concentrates on the younger men and those who are new to a given field.

The educational content of a program should be coordinated with the training portion, perhaps as a prerequisite; or reading matter may be distributed in advance. A mixed age group may be able to absorb both, provided that no participant has to endure review material to the point of boredom.

Summary

Training and education are essential ingredients in the CPA firm's prescription for growth. The existence of a training program offers an inducement to recruits; a sound program of training and education augments the firm's expertise and provides opportunities for career development; training promotes high performance standards that attract clients; and management training enhances managerial competence that attracts candidates for merger.

At the same time, a program of training and education meets the CPA firm's obligations to the profession and to the community that supports the profession because it needs the services that CPAs are qualified to offer.