EO Management Advisory Services Department

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In the past decades there has been little change in the basic relationships, deeply rooted in historical tradition, between accounting firms and their clients. The specific functions and techniques of the auditor, however, have been modified to meet the changing nature of the American business community. The growing use of electronic data processing by industry, paralleled by the accounting profession's adoption of EDP as an effective tool, is one of the more obvious examples.

While America's commitment to the free enterprise system remains steadfast, that system has been affected by the growing complexity of life in the latter part of the twentieth century and by an ever-expanding structure of government regulation and control. At least one result of this historical development, in accounting as in medicine and the law, has been the growing importance of the specialist—or, to be more precise, the ability to offer specialized services.

One of the major specialties that Haskins & Sells offers is Management Advisory Services, or MAS. Interestingly, Charles Waldo Haskins and Elijah Watt Sells first met in 1893 on an MAS-type engagement for the Joint Commission of the Fifty-Third Congress, called the Dockery Commission after its chairman, Missouri Congressman Alex M. Dockery. Their work on the project, which involved a broad revision of the accounting system of the federal government, was the foundation of a close association that led two years later to the founding of the Firm of Haskins & Sells in New York City.

In an internal policy statement of the Firm, it is pointed out that "since the early days of the profession the CPA has served as an advisor to his client. As business became more complex and management methods more scientific, an increasing number of specialized skills were required to serve our clients in this advisory capacity. It also became apparent that this aspect of our practice needed to be organized and administered as an identifiable unit...."

That same statement describes the primary objective of MAS to be "to assist clients in maintaining and improving their economic viability through improvement in their effectiveness, efficiency and control. Of the various ways in which this objective may be achieved, MAS has chosen to provide direct professional counsel and assistance through a staff of qualified consultants and supervisors."

Management Advisory Services is one of the departments in the Firm's Client Services Coordination Group under the leadership of Bill Stewart. Len Pace is director in charge of MAS, and working with him in EO is Robert L. Kelly, who assists in a number of ways, including practice-review activities. The latter includes the development of standards of performance with respect to our MAS practice and the monitoring of compliance with our practice policies and similar standards.

For Bill Stewart there is no question of the role
The support-office structure enables us to serve our clients properly and to make effective use of our manpower.

MAS plays in the Firm's practice. "MAS has a secure future in Haskins & Sells. The Metcalf Report's criticism of certain MAS services provided by some public accounting firms in general did not apply to our practice. The single area where it did, that of executive search, was one in which we were marginally active and that we were considering eliminating before the report was issued."

One of the unusual aspects of the MAS group is the range of services and capabilities necessary to fill client needs, which add to the diversity and flexibility of H&S. Even though the services are accounting related, the range is so broad that people with engineering and EDP backgrounds are required to complement those with accounting backgrounds, Bill points out.

"There is a difference in viewpoint between the MAS consultant and the auditor," he said, "just as there is a difference between the auditor and the tax specialist. In order for auditors and tax specialists to keep up with their specialty in the 1970s, they must of necessity adopt a sharp focus, a viewpoint inherently oriented to their specialty. We want these differences in perspective because they focus on and illuminate the various facets of our services to a client. Problems in any area of a client's operations can impinge on and affect the overall financial health of that client. We want a team of specialists studying and evaluating specific areas, as appropriate, so that when we hold debriefing sessions we can evaluate the information relating to this client, determine the effect the efficiency or control in one sector of the client's business has on other segments or the whole. The suggestions resulting from this team approach will be more constructive and more numerous because of the varied viewpoints brought to bear on the information available concerning the client's current problems. We have to keep in mind that so much of the work we do as auditors has become so specialized that, unless we do ensure that we get differing viewpoints, we can lose sight of the whole. To put it another way, you must have the potential for a broad approach to a problem!"

Turning to the question of the kind of people we want in MAS, Bill believes that we need both MAS consultants with prior experience (from our audit staff or from outside business and industry) and college graduates with no work experience who can be successfully trained as effective MAS consultants.

"MAS is different in that I don't really think you can 'grow your own' completely and have as effective a group as you want," he insists. "Our audit staff and tax staff each have a common body of knowledge. They are largely interchangeable within their disciplines. You don't have that same degree of interchangeability in MAS, because many different skills are involved. One advantage of hiring consultants with industry experience is that we get people who have specialized skills not as readily acquired in public accounting — skills that, when utilized properly, supplement our total MAS effort. The consultant's work experience also gives him a different insight into the client's problems and needs, simply because that consultant was on the other side of the fence!"

The program of employing MAS consultants right off campus is being expanded in the current recruiting season. All of these individuals hold graduate degrees, Bill stated, with most having MBAs. "It's not really a question of one or the other," he said, "experience or no experience. Obviously you have to be selective in your choice of people and an adequate entry-level training program is
Bill Stewart (l.) and Len Pace confer on MAS developments. Len is director in charge of MAS, one of the departments in the EO Client Services Coordination Group under the leadership of Bill Stewart.

"Quality services provided by any of our people build the reputation of the Firm as a whole."

vital. When MAS was first being established as a separate area of practice, it was necessary to employ consultants with industry experience in large numbers in order to get the necessary range of skills needed within the Firm in a relatively short period of time. I think the program to hire college graduates with advanced degrees for direct entry into MAS is presently an important source of additions to our MAS staff and will continue to be so in the future. On the other hand, the employment of consultants with outside experience will continue to be necessary to obtain people with specific skills that we cannot develop internally."

Len Pace agrees that, as always, the effectiveness of our recruiting program will play a key role in the future of the Firm and of MAS.

"We're essentially management-problem solvers," he said. "We usually provide know-how, expertise, rather than manpower. In MAS we need people with diversified backgrounds so that we have a pool from which to select those individuals with the appropriate backgrounds to solve client problems. MAS people usually work closely with the audit, tax and SBS people on an engagement. It's a multidisciplinary approach, and the specific skills an MAS person can contribute are one key to the successful completion of that engagement."

Bob Thompson, MAS national training director, said that the training program for those consultants hired by the Firm directly from college consists of several parts. “The first deals with entry-level EDP and is a course designed to bring those with a nominal background in electronic data processing up to an adequate level of understanding of the activity,” according to Bob, who is with the Executive Office Continuing Education Department.

"Another part is a two-week seminar for new consultants designed to reinforce the concepts and techniques provided in the MAS orientation program and to introduce our new people to the Firm’s administrative-control-review work programs."

Proper training for consultants is given top priority by the MAS group, Bob said, because we want new consultants to be able to apply their skills most effectively in the public-accounting environment. Thus all new consultants are also given a six-part orientation course designed to assist them to apply the skills they have developed. The course, which uses tape cassettes, a workshop and desk-top flip chart, covers such areas as consulting, the public accounting profession, administrative procedures, proposal practices, engagement practices and evaluation of the consultant’s performance.

The MAS group holds an annual seminar for new managers, which is in addition to the Firm's regular seminar for all new managers.

"We’re also in the process of preparing a one-week course in the improvement of oral skills and a one-week course in writing skills for our MAS people," Bob said.

The EO MAS group has, in fact, mapped out a broad educational and training program for its people. This includes a five-year core program that ranges from the orientation phase through augmentation programs and includes specialization-training projects. The complete training project is outlined in detail in a recently published booklet titled "Concepts and Plans for Developing Our MAS Personnel."

According to Len Pace, two factors that have contributed to the growth of the Firm’s MAS effort are the support-office and levels-of-service concepts.

"In the past two years we have increased the number of main practice offices with resident MAS
Problems in any area of a client's operations can impinge on and affect the overall financial health of that client.

Management Advisory Services staff from about 45 percent to 60 percent," Len said, "and we are proceeding to increase this percentage.

"Under this program larger offices with MAS departments supply MAS people to offices without MAS staff or with small MAS staff. For example, Miami, New York, Philadelphia, Washington, Chicago, Houston, Los Angeles and San Francisco are support offices.

"Each of the support locations has certain offices it serves. Houston, for example, serves Dallas, Fort Worth, Memphis, New Orleans, Oklahoma City and Tulsa, while Los Angeles serves Las Vegas, Phoenix and San Diego. In actual practice, MAS people are assigned where necessary to meet the needs of a client. The support-office structure enables us to serve our clients properly and to make effective use of our manpower."

The concept of levels of service is important, Len points out, because it recognizes that our relationship with client personnel must emphasize meeting the needs of that client.

"For practical purposes we talk of four levels," he said. "The highest level is where we have extensive client participation, when we can establish a relationship with client personnel who have the training, experience and knowledge to work with us on a problem. At the other end, level four, client participation is very limited and our role is considerably more extensive. In actual practice, most engagements fall somewhere in between these defined levels, but the important consideration in arranging consultant-client relationships is that the client's best interests be served and that the proper level of service be identified. This normally means that client personnel are involved in the engagement to the maximum extent practicable. We stress this levels-of-service approach because it ensures the most efficient transfer of knowledge and thus works to the best interests of the client."

The word problem occurs over and over again in any conversation with Len Pace. "Our emphasis always has to be on solving the client's problems and meeting his needs," he contends. "This is the very reason for our existence. Establishing the right relationship with a client is paramount. A client wants to talk about his problems. Most clients who have problems know it—but they may not have the expertise, the skilled manpower or the time to solve them. We have to talk to these clients, to be sure the problem is properly identified and to establish in their minds not only that we are interested in their problems but that we can generate ideas and solutions. When they recognize that our ideas are valid, in the context of their problem situations, they'll want us to assist them."

The expertise of our MAS people and the quality services they provide not only contribute to the overall image of the Firm, Len says, but can also help to build our practice in the other service areas.

"Right now, about 65 percent of our MAS activity is with audit clients," he said, "which is proof in itself that if you offer quality services in one area the client will ask how you can help him in others. The advantage we have in MAS, as in tax, is that these both can bring immediate benefits that are obvious. If we do well in our MAS services, there is a better chance that the client will also show interest in our other areas of service. The client does not necessarily see separate divisions. The MAS people, or the audit, tax or Small Business Services people on an engagement represent the Firm to him. Quality services provided by any of our people build the reputation of the Firm as a whole."
Len Pace and Bill Stewart agree that the most rapid growth in our MAS services has been in the area of governmental agencies and that this is one of the most promising areas for the years ahead.

“Our large engagements with the Department of the Navy, the Comptroller of the Currency and the Department of Labor helped establish our reputation with the federal government,” Bill said. “Lou MacKenzie in Washington, has, for example, suggested four key federal departments—Defense, Labor, Housing and Urban Development, and Health, Education, and Welfare—as potential sources for MAS engagements. Last March we set in motion a program directed toward bus transit authorities across the country to acquaint them with our expertise in helping them establish the accounting systems they must have in order to comply with federal-grant requirements.”

“We’re also building a reputation with overseas engagements,” Len pointed out, “with such clients as the governments of Iran and Samoa, the Natal Building Society in Johannesburg, South Africa and Aramco and other clients in Saudi Arabia.

“Our present engagement with the government of Iran, which involves assisting it in establishing a financial management system, began in January 1977. Our first contact, however, was about a year before when Homer Sayad, then partner in charge in Saint Louis, Dick Raupp from Chicago, Bill Gaik from Atlanta and I flew to Iran to talk to government officials. The first team on the engagement consisted of Homer and me, Dick Raupp, Sven Johnson from New York, Kent Kegwin from San Francisco, Mike Garmes from Detroit and Jim Hanlon from DH&S in Tehran.

“Don’t think there’s any question that the reputation we have established in providing specialized MAS services to federal, state and local governments and agencies will play an important role in the growth of our overall practice in the future.”

What of the future? Bill Stewart and Len Pace both express optimism about the role of MAS in Haskins & Sells.

“While I’m pleased with the growth in the past two years, I’m always impatient for more,” Bill said. “This growth will accelerate in direct proportion to the ability of the partners in charge of our offices to recognize our clients’ MAS needs. The impetus for MAS services has to come from the practice-office level, the same as for audit, tax and small business services. We in Executive Office want to help the practice offices in any way we can to reach this goal.

“We’ve established a solid foundation to the MAS practice, and our recruiting and training programs are functioning smoothly. MAS personnel report directly to the partners in charge of offices. There are strong dividends from this approach because the attention of the PIC is on MAS equally with audit, tax or small business services. I think we have a strong team approach to serving clients.”

Len Pace agrees. “In the past year or so the partners in charge of offices have collectively increased total MAS people from 182 to about 230. We’re experiencing an increased rate of growth.

“Bill Stewart and I are convinced that we will reach a point where MAS personnel and the MAS practice in our offices achieve what you could call a ‘critical mass,’ to borrow a term from nuclear physics, and at that point the growth of the MAS practice in those offices should accelerate. Both of us are confident that the practice offices will achieve that goal.”