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PERFORMANCE MEASURES NEWS & VIEWS

May 2003

Volume 2



No. 2

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Intro!

Since the January issue, winter has retreated here in the northern climes, a war has been won, and April 15 is once again a fading memory. With all these events large and small, we hope you are finding time to build your performance management practice.

Special Note: Beginning with the next issue, we plan to deliver Performance Measures News & Views as an electronic newsletter. We will also have formatted electronic (Adobe Acrobat) versions available on request. If you wish to continue receiving this newsletter, please send your email request to performanceview@aicpa.org. ◆◆

Case Study

Introduction

Originally founded in 1987 and reconfigured in 1996, Houldsworth, Russo & Company, P.C. (HR & Co.) is an accounting and consulting firm providing a broad range of consulting services in the Las Vegas area. The firm has a heavy audit practice in non-profits, mortgage companies, and HUD apartment complexes, which are all yellow-book and then, several other audits in different industries. HR & Co. also has a large write-up practice for non-profits and for-profit organizations. HR & Co. is a firm of two partners, six professional staff, and has a total staff of twelve. Annual revenues are over \$1 million.

Three people from HR & Co., Bonnie M. Houldsworth, Dianna Russo and Karen Durkin, attended the CPA Performance View PLUS workshop. Collectively, the three professionals have over 50 years of audit, accounting and business consulting experience.

HR & Co.'s Implementation

In May 2000, HR & Co. sent its senior partner, Bonnie Houldsworth, to the CPA Performance View PLUS workshop. There are other programs out there offering similar training, so why attend the CPA Performance View PLUS workshop? What led you to believe the workshop was going to be useful to your firm?

We had many clients that have sought advisory services from outside consultants. They found these to be very cookie cutter and seriously lacking in substance. We wanted tools and systems to help us provide those services to our clients. Also I was looking for more of a challenge, which I believe the CPA Performance View PLUS program provides.

What did you learn at the workshop that convinced you to make performance measurement services part of your firm?

We wanted to do more than traditional accounting. Additionally we all agree that this is the best way to establish a strong relationship with our clients as true trusted advisors. We also saw this as a way to make our firm unique and assist in our marketing efforts.

Why did you think it was important to send both Dianna Russo and Karen Durkin to the workshop?

Synergy! We wanted to be able to utilize the same understanding of performance measurement issues, tools and systems so we can support each other.

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HR & Co. has a large number of non-profit clients, which are good prospects for using performance measurement. How is HR & Co. using performance measurement with these clients?

We have two roundtables running for non-profit organizations, which is more economical for these clients. Additionally we obtained sponsorships from two banks for these roundtables. This allowed us to keep the fee low so any organization can afford it but we are still profitable on this service.

The business owners that participate generally are experiencing growth opportunities for their businesses. These clients also knew they needed assistance in taking their business to the next level. It would be difficult, if not impossible to provide this service to anyone without a need for change or development. Thus, we only invite clients who fit these criteria.

What has happened as a result of the round tables, both for HR & Co. and the attendees?

Every client taking part in the round tables has requested additional services both consulting and accounting, which benefits our firm. For the attendees, they feel more confident in their abilities to operate their business. Additionally some of our staff personnel have increased their consulting skills through their attendance at some of these sessions.

Please describe the process HR & Co. follows with performance measurement services. For instance: Once a client is identified as a target, how does HR & Co. prepare to talk to the client? To whom at the client do you bring your ideas? What reception do you typically receive from clients?

Our best success has been with providing some limited consulting in areas of concern by the owner, to show our skills, we then propose a more extensive plan. Also we have received several referrals from raving fans that are already sold on the service we provide. We have found our best clients are those that are very successful but believe they need outside assistance to get to the next level. For these clients, the fee isn't an issue.

How much of your time is now performance measurement related? How big do you expect performance measurement services will be for HR & Co. in the future?

Performance measurement isn't our objective; it's a tool to use to assist our clients in reaching their objectives. So we start with

Case Study — HR & Co.'s *continued from page 1*

what is the client's object or concern, but the process will usually get us to having performance measurements. Our business development consulting is approximately 15% of revenue but it is growing. We want to be very selective with our clients, because we wanted to have only successes. Therefore, we will grow to 20 to 25% of revenue from our business development consulting.

Our purpose is to obtain great clients that also use our accounting and tax services. Of the six clients that were not previously our accounting clients, two have changed to our firm, two more plan to make the change next year, and the other two are large publicly held organizations that are with national accounting firms. The two large clients continue to use our consulting services more and more and therefore will be major clients for us.

Do you follow the process outlined in the workshop or have you customized it for your firm? How much of the program have you implemented?

We utilize most of the processes but we approach the engagement very differently. The clients usually have concerns that must be addressed quickly. We have seen that most of the business opportunities have been with improving and measuring customer and employee satisfaction.

It has been more than one year since each of you attended the workshop, how many engagements have you sold and started in that time? And, what is the approximately revenue?

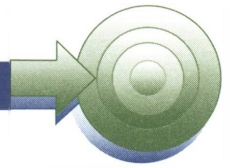
The revenue from this consulting has been approximately \$150,000. But we have obtained many traditional accounting clients because we offer these services, we will talk to them about the consulting and they aren't ready for that service but they want a CPA that they perceive as being more than just a bean counter.

Can you share with some brief examples of the effects the service has had on your clients? Do clients perceive you any differently?

The two clients whom we have worked with for at least a year now have seen profits increase by 22% and 25%. Both of these companies were already performing above industry standards, so these weren't easy turn around situations.

Submissions to the Newsletter

If you have an article you want to submit for the newsletter or if you have a story to tell about how a performance measurement engagement has benefited your client and want to be part of a case study, send an email to us at performanceview@aicpa.org or call Ron Halse at (201) 938-3788 and we will work with you to make it happen. ◆◆



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As for our clients perceptions, as mentioned above, clients definitely see us as more than bean counters. Our clients see us as business advisors who are concerned about the overall success of their business.

Overall, was the workshop worth your initial investment? Have you completed any additional performance measurement training after the workshop? Is there any other training you are looking to attend?

The workshop was most definitely worth the investment. Our first client was our firm and our revenue has grown 21% in 2001 and we expect 2002 to increase 36%. As for additional training I have taken a facilitator training and would like to take some training in the human resource area.

This example demonstrates how one accounting firm implemented performance measurement services into its current service offerings. Performance measurement services have a positive impact on your clients' businesses and yours as well. For more information on the CPA Performance View PLUS service line, please visit www.aicpa.org/performanceview, while information on when and where the workshops are held may be found at www.cpa2biz.com

This case study demonstrates how performance measurement can have a positive impact on a business's results — both the client's and CPA firm. For more information on the CPA Performance View service line, please visit www.aicpa.org/performanceview. ♦♦

How Do You Decide What's Really Worth Measuring

By Stacey Barr

A measure's purpose is to give you objective evidence that some outcome has occurred. Thirty minutes worth of brainstorming could produce hundreds of outcomes related to your business. Do you really want hundreds of measures? Would you ever get around to using them all? Would they all be equally important? Probably not, on all three counts. Phase I of the Measurement Process, "select," is therefore worth giving special attention to.

The key to having some kind of approach for selecting measures is knowing which outcomes matter. Eliyahu Goldratt, author of a book called *The Goal*, suggests that the purpose of any business is to "make money now and in the future." This probably is the primary goal of most businesses, but it doesn't matter if it's not yours. The point is to understand what you are in business for, because this is your most important outcome — the outcome most worth measuring. If your business plan is a good one (with clear mission, vision, values and goals), it will sum up which outcomes matter most.

A hierarchy of outcomes

To measure the outcome that matters most and leave it at that is still not enough, though. Would you be satisfied if the only information you got to inform your decision making was the profit you made (or didn't make) at the end of each month?

There's no doubt that there are things you can do in the short term to influence the outcomes you want in the medium to long term. After all, this is what business plans are for. You don't want to wait until the end of the month or end of the year, when it's too late to do anything.

If you look closely at one of the outcomes that matters most for your business, you'll see that there are other outcomes that affect it. The profitability of an office and stationery supplies business is affected by things like market share. Market share is affected by things like customer satisfaction. Customer satisfaction is affected by things like delivery cycle time. Delivery cycle time is affected by things like the balance between workload and resources.

In any business there is a natural hierarchy of outcomes that matter. If you adopt the approach of starting from the outcomes that matter most and then digging for the outcomes that most affect them, you'll find what is really worth measuring.

Here is a framework for guiding your endeavours to select what you want to measure:

1. Begin with the end in mind

Use your business plans, organisation relationship maps and process maps to systematically reveal the outcomes that matter most right throughout your organisation. Look for nouns or adjectives that describe a result or end product, like satisfaction, on-time, innovative, safe.

2. Make it concrete

When you know the outcomes you want to measure, you are ready to get a handle on what specifically about those things you will measure. Take care in your choice of words to describe those outcomes as concretely as possible. If "safe" is one of the outcomes you are seeking, you might answer questions like "what does it mean to be safe?"

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3. Get a deeper understanding

What will happen if you measure those outcomes you intend to measure? Deepen your understanding of what it would be like to measure those things to make sure you focus on priority outcomes, be aware of the level of control you have over them, appreciate the unintended consequences of measuring them and understand the relationships they have to other outcomes and other measures.

4. What's the evidence?

At this stage you will have a list of statements which each describe a priority outcome that you have decided is a must to measure. It's time to get ultra specific and figure out what the physical evidence will be from which you will draw the values of your measures.

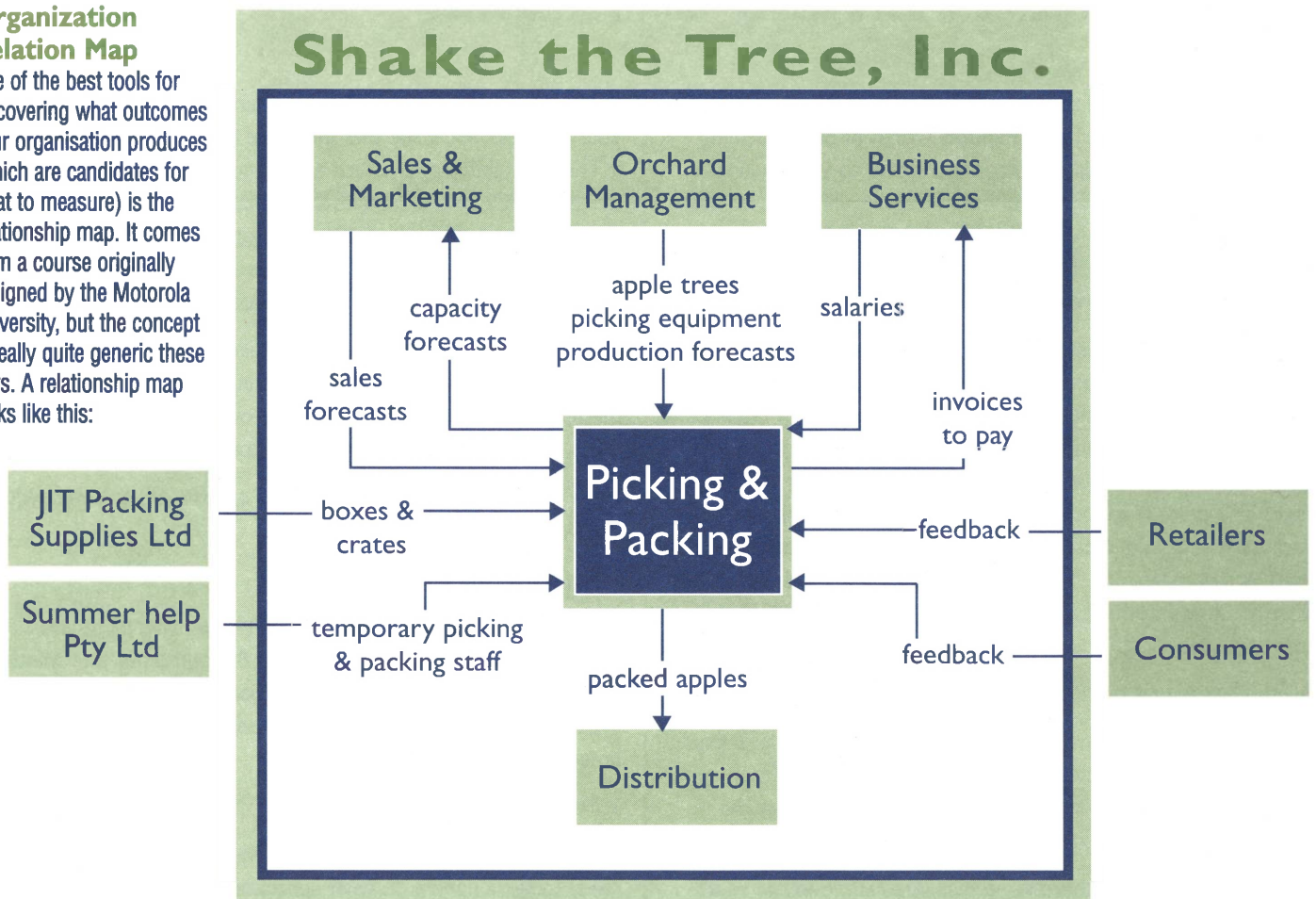
5. Give it a name

Naming your performance measures marks the point at which you know exactly what you will be measuring and why. When you arrive at this stage, the real work begins! You are ready to create definitions or specifications for your performance measures in preparation for phase 2 of the measurement process: "collect" (where you will begin the journey of bringing your performance measures to life).

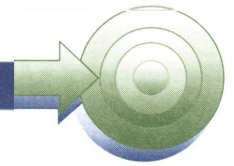
Editor's note. This article and practice tip on drawing organizational relationship maps appears in *mezhermnt*, an online magazine by Stacey Barr. You'll note some British spellings but the author is Australian. There are other articles on the site, which is: <http://www.staceybarr.com/newsletter.htm> ♦♦

Organization Relation Map

One of the best tools for discovering what outcomes your organisation produces (which are candidates for what to measure) is the relationship map. It comes from a course originally designed by the Motorola University, but the concept is really quite generic these days. A relationship map looks like this:



Its purpose is to highlight the flow of inputs and outputs relating to a particular system (such as your organisation, division, department or team). This makes identifying which outcomes you should measure quite easy — you just examine the outputs flowing out of your system (such as packed apples in the diagram here) and explore what success would mean for the receiver of these outputs. The building blocks of these maps consist of little more than boxes and lines and words. The key is to clearly define the "systems" represented by boxes and focus on the relationships of just one of them.



AICPA/APQC Performance Measurement Conference

The second performance measurement conference, co-sponsored by the American Productivity and Quality Center, will be held July 17 & 18, 2003 at the Westin Tabor in Denver, Colorado. Last year's conference was a big success, with over 150 people in attendance, and we are hoping for even larger attendance this year.

In a business environment that is demanding faster and cheaper solutions to complex performance problems, the ability to create effective and reliable measures is crucial. Performance measures are necessary when determining the strengths and weaknesses of an organization and to determine what needs management action. Learn the latest strategies and techniques at the

AICPA Performance Measurements conference.

Through real-world case studies of leading companies like Sprint, Merck & Co. and IBM, you'll learn how to develop credible and economical performance measurement strategies and how to align measurement processes with strategic and operational initiatives that will help you to demonstrate and quantify the value of your services. This year's keynote speaker will be Carla O'Dell and there will be two distinct tracks for industry and CPA practitioners.

For more information, please visit: <http://www.cpa2biz.com/store> and select the "Conference Calendar" link that appears in the center of the page. ♦♦

Performance Measurement PLUS Skills and Systems Workshops for 2003

Dates and venues have been set for this year's workshops. Past attendees of the CPA Performance View Workshop who want a refresher can save \$1,000. Past attendees who bring a fellow firm member and sign up by May 23 can save an additional \$1,000! These discounts apply only for the June and July workshops.

Mentor Plus® PMPSS Workshops Dates/locations:

Chicago, IL June 30 — July 2, 2003

Orlando, FL July 30 — August 1, 2003

Quebec City, Canada August 20 — August 22, 2003

Vancouver, Canada August 27 — August 29, 2003

San Francisco, CA September 24 — September 26, 2003

Las Vegas, NV October 24 — October 26, 2003

There's more information on <http://www.aicpa.org/assurance/view/workshop.htm>. To sign up or for more information on venue and registration contact Mentor Plus: 925-485-1983, or send an e-mail to laurie@mentorplus.com

In addition, Mentor Plus is offering preview webinars. All web seminars will be held at 10am PST and last approximately one hour. The dates are:

- ◆ May 20, 2003
- ◆ June 12, 2003
- ◆ July 10, 2003
- ◆ August 14, 2003 ♦♦

Conference Calls

On the last call (April 25), the attendees heard several excellent ideas about implementing a practice. Each call is a free-form format hosted and facilitated by the AICPA. These calls are a great way to continue the learning process, discuss issues with others, hear about how others are doing, and share your successes and challenges, and, most importantly, stay motivated.

Subject to change, the schedule for the remainder of this year is:

- ◆ June 27th
- ◆ August 22nd
- ◆ October 24th
- ◆ December 12th

All calls are held at 12:00 PM Eastern/9:00 AM West Coast time. To participate on the call, dial 706-643-5329 and enter the code: 6371902#.

We send email reminders to everyone for whom we have email addresses, especially if we need to change the date of the call. If you did not receive emails about the calls last year, it is because we do not have a working email address for you. If you want to receive up-to-date information about the calls or other events, please send to us an email at performanceview@aicpa.org and ask to be added to the email list. We use the email list to keep in contact with you, but not too often. ♦♦

Yahoo! Group

Don't forget, the AICPA has set up a Yahoo forum for practitioners to share ideas and information at any time, rather than waiting for the open forum calls. To subscribe, you will need to create a Yahoo ID to join.

1. Once you complete that process, follow this link
http://groups.yahoo.com/group/cpa_perf_view/?yguid=124458532
2. You will receive a message indicating you are not a member of the group.
3. Click on "Join this Group" which is in the upper right side of the screen.

4. Select a few preferences and click the "Join" button.

I will receive an email and approve you for membership, once approved you will have access to the area to leave message and send emails.

Your clients are the best place to develop measures, but it doesn't hurt to have some fellow practitioners around to bounce ideas off of and share experiences. So, join today and use the group for everyone's benefit. ♦♦



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