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## Performance Measures News & Views, Volume 1, Number 5, May 2002

American Institute of Certified Public Accountants (AICPA)

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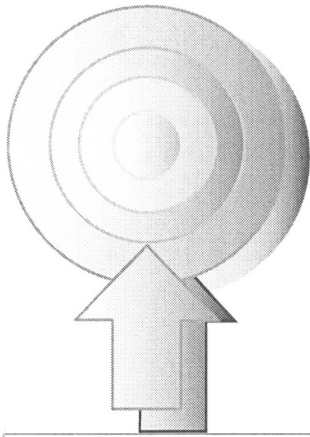
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# PERFORMANCE MEASURES

## NEWS & VIEWS

May 2002

Volume 2



No. 5

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In our annual, or thereabouts, survey of practitioners we discovered what practitioners are up to in the area of performance measurement.

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### *Intro!*

As I write this it already feels like summer in New York City. It seems the warm weather is already upon us. Fortunately, tax time is over, so that is a major plus. Now you may have additional time to devote to moving your performance measurement service initiative along. Start it today and good luck. ♦♦

### *CPA Performance View Survey*

As the workshop attendees know, we periodically conduct a survey asking people how things are going in the performance measurement arena. Our most recent survey was conducted in January 2002. And, a great thanks to the people who responded!

We called or emailed about 280 workshop attendees for whom we have working phone numbers or email addresses and received 23 usable responses, for an 8.21% response rate. While not scientifically conducted or from a large sample, the results were interesting.

#### *What Did We Learn?*

The survey indicates that performance measurement marketplace may hold promise for CPAs. Not only are the workshop attendees reporting that the positive impacts of the training have benefited themselves, their firms, and their clients, but the financial results for both clients and practitioners have been encouraging.

#### *A New Perspective*

First, we learned that the performance measurement engagements made respondents reexamine how they deal with their clients. Rather than a narrow audit or tax perspective, these new age practitioners had to approach the company from a "whole business" perspective. The end result wasn't to deliver a product, but to help the client. One respondent indicated "we are [l]ooking at clients in a new way. Help[ing] clients to define the issues before offering solutions." Another indicated that the training caused them "to look at my services differently."

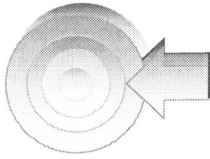
One person responded that he now has a different focus in his career and was rejuvenated in what he is doing. These comments bode well for the program as performance measurement theory is designed to move CPAs away from being seen as solely an audit or tax person, to a true business advisor, something the workshop attendees seemed to enjoy and their clients appreciated.

A practitioner from California summed the concept up best with his comment, "Each time I visit a client I go through the questions on the Business Wellness Questionnaire. This allows me to understand what is really bothering them about their business, and that has lead, about 70% of the time, to additional engagements. The engagements have allowed us to show our clients a different side of the accounting profession. I truly get the feeling they believe we are finally interested in the success of their business, not just the reporting of what has happened."

#### *Enthusiasm Remains*

Second, we learned that the performance measurement concept is a change in the traditional service delivery and can be unnerving for some practitioners used to working in their comfort zone of

*continued on page 2*



dispensing accounting or tax advice. However, the majority of those answering this question were enthusiastic about the change. One person commented that it "created excitement about a framework to deliver services," while a number of people indicated that everyone wanted to work on performance measurement services with their clients.

Another respondent from Pittsburgh stated the following about her experience, "If anything has come from this, the relationship between [our firm] and our clients is very tight. I thought it was before, but I was wrong... You can actually 'feel' the clients noticing something different going on – and its amazing that once they get comfortable with that, they open up and 'spill' the whole can of worms right onto your lap."

Rather than simply offering services they regularly provide to clients, the workshop attendees began to consider the issues the client was facing and helped the client determine the best solution. There was a shift from service deliverer to business advisor.

### Changing Clients' Focus

Third, we discovered that the performance measurement process helps the client focus more on the business and less on fighting fires. For the small and medium-sized firms the service is designed for, this allows the business owners to get back to the purpose they started their business. One of the CPAs noted, "some [clients] have renewed interest in their business. They do want to continue to grow if the employees are involved and active." Also, one of our case studies had a client that was considering selling the business due to poor results. After working the client through the CPA Performance View process, the client is not only profitable again, but the owner is more enthused than she ever was before.

As with every other business, in an accounting firm the bottom line is the bottom line; if a service isn't selling, it isn't worth the investment. Based on the responses, 65.2% of the attendees have made at least \$10,000 in revenue since attending the program. However, that includes the fact that seven of the eight people reporting zero revenue attended the workshop within seven months of when the survey was conducted. Excluding those new individuals, the percentage with earnings over \$10,000 would be 87.5%!

### Case Study

**Editor's Note:** Some people have indicated they have trouble figuring out how to incorporate what they learned about performance measurement into their usual routine. This case study highlights not the improvement a client has achieved with performance measure-

### CPA Performance View Survey *continued from page 1*

As with any new service, there will be some people who look to adopt the service to ultimately discover that it is not for them. Thus, we were interested in what the workshop attendees

Ranges	Percentages
\$0 (Including blank responses)	34.8%
<= \$ 10,000	4.3%
<= \$ 25,000	8.7%
<= \$ 50,000	34.8%
<= \$ 75,000	8.7%
<= \$100,000	4.3%
\$100,000+	4.3%

thought about whether they thought performance measurement services would be part of their future. Of the 21 people answering this question, 20 of them, or 95%, indicated that performance measurement services would be part of their future – quite a high retention rate and results that bodes well for the future of this service.

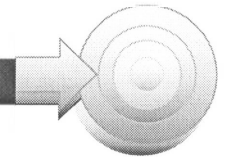
We received two memorable comments from respondents that sum up what we are trying to do with this service line to change the mindset of CPAs. The first is from a practitioner from California who stated: "It is the future of accounting service to be a performance measurement consultant since it revolves around the core competencies of a business, its people and activities." Along a similar line, a Kansas practitioner offered the comment, "This is a service our firm has been trying to define for some time. It is a nontraditional service that fits naturally with our practice and is a natural extension of the traditional services we have offered."

If you didn't respond to the survey, but would like to, please email us and we will send the survey to you. It is a Microsoft Word® document that acts as a form you can fill in, save and return to us. Comments, both positive and negative, are always appreciated. ♦♦

ment services, but what one firm has done to change the way they are doing business.

The CPA Performance View PLUS workshops can be given some of the credit for the creation of CFO2Grow Consulting, Inc. — for workshop attendees, the name should sound somewhat

*continued on page 3*



Case Study *continued from page 2*

familiar. Samuel Dergel, a Chartered Accountant in Canada and a US CPA, attended the first workshop in December 1999. At the time, Samuel was a manager at an accounting firm in Montreal that was looking to add performance measurement services to its repertoire.

Upon his return to the office, Dergel found that the more pressing matters for him were the audit and tax services he has been providing to clients, not performance measurement services. Along with some other changes occurring in the office, Dergel decided it was time to move on and try his hand at something else. "After working in industry and realizing that client interaction interested me the most, I decided to start a firm where I could spend the majority of my time delivering value directly to customers." Thus, Dergel started CFO2Grow in March 2001 as a consulting firm with an emphasis on performance measurement services. The company is headed by two partners and employs experienced executive-types who work as consultants.

Because he would need time and a steady source of income to nurture the performance measurement services component of his new business, Dergel established a part-time CFO service for new and growing companies. The service provides growing companies an active and experienced CFO involved in the business on a part-time basis. Most clients using the service are obtaining financing for growth or have secured financing and

need help in building their finance and accounting infrastructure to oversee an orderly growth.

CFO2Grow also offers other consulting and management services, including business management, human resources, and recruitment and selections services. However, Dergel believes the future of the company lies with its consulting and performance measurement services, and he plans to work with accounting firms to provide performance measurement services to their clients as well as to his own clients. "We don't compete with the accounting firms, we do not handle audit or tax services, so working with them is a natural fit, especially with our backgrounds. We refer work to them and work with them to provide our services. We know how to consult and deliver value and their clients are looking for more than just tax and audit." CFO2Grow has the flexibility to function either as a third party working with the accounting firms and their clients, or as a part of the accounting firm providing services to the client.

After less than a year of operations, CFO2Grow has received several offers to merge its business with prominent local accounting firms; something that they are not interested in right now.

In a future edition of this newsletter, we will check back in with Samuel and CFO2Grow to see how business is doing. ♦♦

## Have You Been Receiving Our Emails?

We have email addresses for the majority of the people receiving this newsletter and we use them sparingly to contact you about interesting items and survey requests. We have sent out 3 or 4 mass emails in the past year, so hopefully that isn't an annoyance for anyone.

If you haven't received an email from us about performance measurement issues, please submit your email address to us and we will add you to the distribution list. On the other hand, if you don't want to receive any additional emails from us, let us know that and we will remove you from the list. Thanks. ♦♦

## New Resources to Read or View

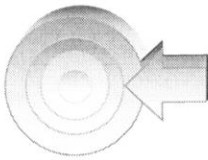
This edition's suggested reading is a new white paper from KPMG. The paper, *Achieving Measurable Performance Improvement in a Changing World: The Search for New Insights*, highlights the need for better information and having people aligned around an entity's strategy and vision. As part of the survey, organizational leaders KPMG surveyed cited similar reasons for failure. In addition to problems with technology, they also believe their current measurement systems are:

- Not aligned with strategic business objectives;

- Dependent on lagging, not leading, indicators;
- Poorly integrated with other information (internal and external); and
- Far too reliant on financial measures.

You can find download a copy of the white paper from the KPMG Web site at: <http://www.kpmg.com/news/index.asp?cid=548>.

A second resource you should see is the General Electric Web site or its annual report. In the letter to share holders in the 2001 Annual Report, GE states the following:



## New Resources to Read or View *continued from page 3*

### **Digital Cockpits...**

Digitization has made GE faster and allows us to constantly measure what we do. Metrics — especially those 10 to 15 critical measurements that leaders need to run their businesses — are now online, real-time and shared by all.

Digital cockpits have had a profound impact on Plastics, a complex business with customers and factories around the world. Our leadership team reviews 15 key operating metrics daily, using a globally consistent standard. Cockpits contributed two points to productivity at Plastics in 2001.

Daily and weekly — rather than monthly or quarterly — our business leaders are making course corrections to their businesses, saving time and money while better serving our customers.

These concepts should sound familiar to you all. GE also provides a picture of its digital cockpit at: <http://www.ge.com/annual01/letter/cockpit/index.html>

A complete listing of readings is maintained at [www.aicpa.org/performanceview](http://www.aicpa.org/performanceview) under the Resources and Links section. ◆◆

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## What's New with the AICPA and Performance Measurement?

### **CPA Performance View PLUS Workshops**

The dates for the first two CPA Performance View Plus workshops for 2002 have been set.

- June 17–19, 2002 in Chicago at the Hotel Inter-Continental Chicago.
- July 29–31, 2002 at the Gaylord Palms Resort & Convention Center in Kissimmee, FL.

We anticipate additional dates will be added for later in the year. Check out the CPA2Biz Web site for more information on these programs and others.

### **Performance Measurement Conference**

Remember, there will be a Performance Measurement Conference July 25th and 26th in Orlando, Florida. If you are planning on attending, we will have a pre-workshop get together for workshop attendees on the evening of July 24th. Edi will give us an update, talk about what is new, share ideas and discuss issues.

For more information, visit the CPA2Biz Web site. We will add information about the conference on our pages, [www.aicpa.org/performanceview](http://www.aicpa.org/performanceview), as it becomes available.

### **Conference Calls**

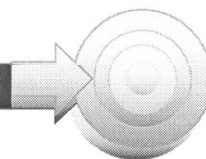
More conference calls! In our recent survey (discussed above), the most requested support item was more conference calls to allow for practitioners to share ideas and support each other. Mentor Plus has agreed to facilitate and the AICPA has agreed to fund these additional calls. Two calls have already been held and four more are planned for the rest of the year.

You should have received an email about this already, but in case not, the calls are scheduled for:

- June 28
- August 30
- October 18
- December 6

All calls will take place @ 9:00 AM West Coast Time. To participate on the call, dial 206-902-3250 and enter the code: 70001#. If you have any problems connecting, call 1-800-756-8280 and reference the Mentor Plus call.

There was an article in the Journal of Accountancy's January 2002 edition that focused on performance measures for non-profit organizations. If you missed it, the article is on page 63. ◆◆



## Do We Need a List of Performance Measures?

The program workbooks contain a list of potential measures for a number of job functions and industries and there are Web sites out there that provide examples of performance measures. However, some people have requested more measures, perhaps even a library of measures. We have resisted that, as there is a downside to whether such a list should be developed.

Performance measures are, within reason, client-specific. As a practitioner you should be working with your clients to determine the measures they want to use. Remember in this service the clients have the answers; the practitioner acts as the facilitator

to make the process work. Thus, a list of performance measures isn't helpful because it starts practitioners down a path before the client says which way they want to go. On the other hand, some people see a push in the right direction as a good thing.

We will leave the option up to you all. If you want to a library of measures, submit the measures you have been using with your clients along with an explanation of the client situation, i.e., industry, what they were hoping to improve, etc., and we will compile the information and make it available to everyone. ♦♦

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## What Do You Think?

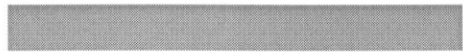
Let us know. Chances are if you are thinking about it, so is someone else.

If you have comments about anything related to the CPA Performance View service line, please let us know. Is there something else you need in terms of training, access to benchmarking information, lists of measures, mentoring by experi-

enced performance measurement CPAs, etc.? If you want to talk about your success or lack thereof, let us know.

Also, if you want to write an article for a future edition of the newsletter, please let us know and we will work with you to make it happen.

Email us at [performanceview@aicpa.org](mailto:performanceview@aicpa.org). ♦♦



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