Core Concepts of Consulting for Accountants

Chapter 1 – The Accountant As Consultant

Consulting is…
offering advice and transferring expertise. (Bagranoff)
‘the value-adding service that converts a commodity into a unique offering.’ (Reeb)

“Consultants provide businesses with professional services – characterized by: two-party relationship, disciplined objective, independence rules do not apply, no known third-party reliance. Comprised of the following services: diagnosing, strategizing, constructing, implementing, operating. Applied in the following arenas: management services, transactional services, operational services.” (AICPA)

Why should CPAs be consultants?

Those who maintain a traditional CPA practice will continue to do well in the short-term, but will struggle in the future. You can expect the public accountants' services and rates to be increasingly challenged by non-CPAs. The demand for services will shift from a historically-focused service, to a future-focused one. The growth of CPAs working in industry will call for a change in service offerings. In order to create differentiation, specialization within our industry will likely flourish, as has already begun. Our competitive edge lies in fine-tuning those areas that best utilize our unique training and experience. Consulting is the flagship service that maintains and sharpens that edge.”

Start Consulting – How to Walk the Talk, W.L. Reeb, AICPA, 1998

Why learn about consulting?

Accountants are consultants
Accounting services increasingly include advisory-type services
Accountants choose consulting careers
The consulting imperative

What would be the “best” major for a consultant?

Accounting’s Roots

15th century – double entry accounting
19th century – first certification of public accountants
Early 20th century – little regulation
SEC Acts influenced accounting
Latter half of 20th century – expanding services

Consulting’s History

Began with management engineering
Founder of McKinsey was an accounting professor
The SEC Act’s influence on consulting
Emergence of technology
### Three Case Studies
- Harry Ballman, CPA
- Martin and Associates
- The Andersens

### Vision for the CPA
- Committee on Assurance Services
- The CPA Vision Statement
- The AICPA Consulting Services Team
- New certifications?

### The New Corporate Accountant
- The Institute of Management Accountants
- Transforming management accounting
- The preparation gap of management accountants
- Increasing value

### The Consultant’s Toolbox
- Communication Skills
- People Skills
- Time and Project Management
- Change management Skills
- Negotiation and Marketing Skills
- Critical Thinking Skills

### The Consulting Process
- Marketing efforts or problem identification
- Propose project
- Plan project
- Collect and analyze data
- Present deliverables
- Implement solution

**Parallel activities:**
- Project management
- Change management

### Consulting Resources
- AICPA ([www.aicpa.org](http://www.aicpa.org))
- Kennedy Research Group ([www.kennedypub.com](http://www.kennedypub.com))
- Gartner Group ([www.gartner.com](http://www.gartner.com))
- Forrester Research ([www.forrester.com](http://www.forrester.com))
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Chapter 2 – Basic Skills for Consultants

AICPA Core Competencies & Consulting Skills
- Communications
- Leadership
- Time/Project Management
- Team-Building
- Interviewing
- Diversity
- Critical Thinking
- Negotiation

Skill Progression of Consultants*

The Consultant’s Value-Added
- Independent and Objective
- Dedicated Resources
- Industry Expertise
- Technical Expertise
- Focused on Results
- Project and Change Management Skills
- Knowledge Management

Define yourself on these dimensions
- Self-advertising
- Networking
- Work ethic
- Attitude towards change
- Breadth vs depth of knowledge/experience
- Attitude towards lifelong learning
- Ambition
- Desire for mentorship
- “Whining”
- Leadership
- Resourcefulness
- Team player

Leadership
- Leadership vs coaching vs managing
- Leadership spheres: self, people, organization
- Leaders: establish direction/vision, align people, motivate and inspire, and produce change
- What makes a good leader?
Team-Building
- Forming, storming, and norming
- Size of the team
- Team leadership
- Team goals
- Managing team member roles and expectations
- Managing Conflict

Critical Thinking
- Ability to analyze a problem from many perspectives for optimal solution. May involve “thinking outside the box.”
- The nine dots?
- Consultants must evaluate and analyze info before accepting as fact. Problem definition may require critical thinking too.

Components of Critical Thinking
- Recognizes problem areas
- Recognizes when additional information is needed
- Fits details into the overall environment
- Transfers knowledge from one situation to another
- Exhibits initiative, curiosity, confidence
- Anticipates, thinks ahead, and plans
- Communicates clearly and articulately

A Critical Thinking Roadmap
- What’s the problem?
- Is the problem a people-problem?
- Is the problem a technology-problem?
- What’s the scope of the problem?
- How long has the company had the problem?
- To what does the company attribute the problem?
- Are the premises tainted by personal feelings?
- Are there competing hypotheses?
- What would it take to solve the problem?
- Does the organization have or can it get needed resources to solve the problem?

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Chapter 3 – Marketing Professional Services

What’s different about marketing services?
- Customers experience them
- Intangibility
- Some are attached to a product
- Not homogeneous
- Standardized and commoditization
- No inventories
- Quality is real and perceived
- Service recovery is important
What’s the competition for consulting services?
- Big Five
- Large consulting firms
- Boutiques
- Other professional service firms
- Vendors
- Everyone?

What’s the services marketing mix?
- 4 P’s (price, product, promotion, and place)
- People
- Physical evidence
- Process

The Marketing Plan
- Identify the target market
- Competitive and demographic analysis
- Develop a promotion strategy
- Cost/Benefit analysis of strategy
- Implement plans
- Monitor results
- Sell and contract

Target Markets
- Current clients
  - Cross-selling
  - Using firm alums
- New Clients
  - Referrals
  - Networking
  - Cold Calling

Promotion and Advertising
- The history of accountants and advertising
- Print and other media
- The Internet
- Sporting events

What’s in the Contract
- Project requirements
- Terms and conditions
- Final details and legal issues
The Proposal as a Marketing Tool

- The proposal is the first written evidence of a consultant’s marketing skills
- It says, “here’s what we can do for you.”

The Request for Proposal (RFP)

- Initiated by the client
- Sent to many potential consultants
- Specifies what the client needs done and by when
- Consultant can submit a proposal even if he hasn’t received a RFP

Components of the Proposal

- Up front material
- Proposed project
- Project management
- Fee structure
- Statement of confidentiality
- Qualifications and references
- Appendices

Up front material

- Letter of transmittal
- Title page
- Executive summary
- Response matrix
- Table of contents
Proposed Project
- Overview of the work to be performed
- Scope of the engagement
- Objectives
- Deliverables

Deliverables include:
- Type of report
- Description of the presentation
- Documentation to be provided
- Disks
- Management letter
- Roles and responsibilities
- Follow up

Project Management
- This section of the proposal describes how the project will be managed
- Project team makeup
- Data collection and analysis
- Time frame and estimates

Fee Structure
- Usually an hourly rate times number of hours worked
- Plus expenses (if specified in the contract)
- Flat fee not common

Statement of Confidentiality
- Very important to assure the client sensitive and confidential client information will not be divulged
- Signed by all members of the consulting team

Qualifications and References
- Who will make up the consulting team?
- What is their relevant experience?
- What is their educational background?
- Resumes often provided to substantiate
Appendices
- Place any supporting information in an appendix to the proposal

Presentation of the Proposal
- To Whom and by Whom
- Presentation Skills
- Visual Aids
- Communication of Roles and Responsibilities

To Whom and By Whom
- The client determines who will attend on their end
- Any of all consulting team members attend

Presentation Skills
- Be organized
- Articulateness
- Confidence
- Master the technology
- Use visual aids appropriately
- Have a back up plan in case the technology fails!

Visual Aids
- Size important
- Use color as appropriate
- Use handouts to supplement if size is a problem

Communication of Roles and Responsibilities
- Redefine what the consultant’s responsibilities are and what the client’s responsibilities are
- Protects the consultant in the event of contract dispute
- Be specific in the contract
After the Presentation
- Asking for feedback
- Negotiation
- Impasses
- When to walk away
- Reaching agreement
- Subsequent changes to the contract

Asking for Feedback
- Thank the client
- Open the floor for questions
- Maintain an open attitude

Negotiation
- Be open and honest
- Do not make promises that can’t be kept
- Maintain a cooperative attitude

Impasses
- Is is a major or minor impasse?
- A minor impasse can be negotiated
- A major impasse will require concession on someone’s part

When to Walk Away
- A major impasse that cannot be resolved will result in the consultant turning the job down
- Better to walk away than to accept a consulting job that you know in good conscience cannot meet all of the client’s expectations

Reaching Agreement
- Reiterate what will be done
- Sign the contract
Subsequent Changes to the Contract

- Minor changes do not need to be written as modifications to the contract
- Major changes should be put in writing and signed by all parties to protect the consultant (and client)