

Tips for Intellect 2012

The main idea behind the case study is to ensure that the consultant understands the business upon which he or she is advising (this is no less than would be necessary in a real situation). Accordingly, you should begin by reading and analysing this case study material.

Analysis

Analysis can take many forms and provided here is some brief guidance on areas to consider and approaches you could take:

- What – so what analysis: note down the key facts from each section of the case study material (this is the `what'), then consider the implications of that fact (the `so what'.) For example suppose you were told that the business did not have a marketing director (the `what'.) The implication here is that the business may not grow to its full potential and may miss out on potential opportunities that arise (this is the `so what'.)
- SWOT analysis: the strengths, weaknesses, opportunities and threats of a business. This tool is probably essential in most business analyses (and certainly for this exercise.)
- Strategic analysis: there are many technical tools open to accountants that can be used to understand the strategic position of a business. Details of these tools can be found on the internet or any strategic management text book. Commonly, if you are concerned about: the market growth potential – do a PEST analysis the competitiveness in the market – do a Porters 5 Forces analysis the current strategic approach – do a Porter's generic strategy analysis the potential strategic development – do an Ansoff's growth vector matrix the position and power of the key stakeholders – do a Mendelow's stakeholder analysis matrix what the key drivers of the revenue and profit are – identify the critical success factors The objective here is to understand what the business is doing so that you can better advise them. Equally reference to these tools is useful in a report to support an argument or suggestion being made.
- Financial analysis: a company's finances need to be understood as it helps you give better advice. For example there would be little point suggesting expansion to a business if it had no cash and little prospect of borrowing any. Financial analysis is best performed in sections; looking at profitability, liquidity and risk position. Again a good management accounting book would show you what calculations to do and suggest methods of interpretation.
- Industry research: an accountant will often do a little research on the industry to gain better understanding. Again sometimes the examples from the real world uncovered by this research can be used in a report to add support to an argument or suggestion.

Prioritisation

Any consultant will add value by taking the issues facing the business and dealing with the most important ones first. This is a key skill of a management accountant. Issues that might be financially significant, strategically important or simply urgent could all rank as items that must be dealt with soon. You are expected to decide for yourself what you think the important aspects are in the scenario and write about them in the report in the order of importance.

A prioritisation section in the report can be used to justify your order if you wish. The layout for which could be as follows:

- What is the issue?
- Why is it important to the business?
- Ranking - why is this issue more important than your next choice?
- Create the need for management action or decision. . e.g. *'thus management must decide whether to accept the proposal or not'* or *'thus management will need to develop a course of action to reassure stakeholder concerns.'*

Issue types and approach

There are two types of issue that could appear in the scenario - a problem and a proposal. The approach normally taken for each is different and suggestions are shown here:

A problem:

- 1) Explain the extent of the problem - The objective here is to focus the management in terms of what is important in the issue in order to galvanise them into action. Consider any financial (backed up by numerical calculations in an appendix), strategic (backed up by appropriate strategic tools) or reputational impacts. You should back up your points with real world examples where possible.
- 2) Discuss potential solutions to the problems - You should identify either two or three potential solutions and express your opinion on them. Provide an analysis of each of the potential solutions such that the reader can make a decision whether or not to go with them. This section is therefore, a brief assessment of the alternatives and not a set of recommendations.

A proposal:

- 1) Background to the proposal - Explain the theoretical background to the proposal. You are trying to focus the board's attention on what the proposal attempts to achieve. They should then be in the right mind set to read your assessment of the proposal and hence make an informed decision.
- 2) Discussion of the proposal - You need to assess the proposal made. Remember it is for the board to decide what the most appropriate course of action is to be. It is your job (in

this section) to discuss the proposal so that management understands all the factors it needs to consider.

Recommendations

All reports need an output. Outputs take the form of the consultant expressing an opinion on the steps which the business should now take. Hence you need to make recommendations. The style of recommendations will differ for problems and proposals:

Problems - Select from your alternative solutions the one (or two) that you feel the business should follow. You should then expand on the solution(s) to provide a detailed justified action plan. Consider who, where, when, how and what in your recommendations. You may feel that in some cases actions should be split between short-term and long-term needs. This is fine.

Proposals - You must propose with justification: Accept the proposal or reject it as it stands. If you accept then you should detail any significant implementation issues and indicate what must be done about them. If you reject the proposal then you should state why and indicate what you recommend the business should do as an alternative. You can of course reject on the grounds a better deal might be possible but you must say what that might be.

All recommendations should be specific, achievable, actionable, commercially realistic, and strategically sound. Do not set management objectives (e.g. "ensure that you improve your controls") but tell them how, what, where and why. Do not merely say that management ought to 'investigate' – that is your job and this report is the result of that investigation – use theory if you have to.