

Huntoon and balbiera

Business



Huntoon & Balbiera, P. C. is a certified public accounting firm that provides professional services in terms of auditing, tax preparation, bookkeeping, and general management consulting. Faced with strict competition from four of the six largest firms in the country, the company has lost three of its largest municipal clients to its competitors, which lead to a 2.6 percent decrease in earnings from municipal governments from 2000 to 2001. This threat in their municipal practice has led to discussion regarding the firm's competitive strategy in the future.

One of the issues that were raised was whether the company should specialize further or diversify its services. Based on the data in Table 1, if the company decides to specialize, it is imperative that they specialize in auditing. However, they should differentiate offering management consulting as an additional service. Auditing is the most logical choice because despite the decrease in profits from this service from 2000 to 2001, it is still the most important aspect of the company's operations. This will allow them to have an edge over other auditing firms without the need to lower their costs, thus justifying their current fees. In terms of client industry, the company's future plans must focus on specializing in manufacturing. Municipal clients tend to stick with their auditing firm for as long as they perform satisfactorily. Hence, the firm must simply make sure that they continue to offer these clients with the best service possible in order to keep them. However, a market that the firm can potentially benefit from is manufacturing. With a 22 percent increase in its share of profits, manufacturing is the most logical choice for the company to focus on, if they decide to specialize.

Specialization, however, may not be the best strategy for a firm like H&B.

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First, it would be difficult for them to specialize in a single service because most of their clients prefer more comprehensive and diverse services, including management consulting. Their competitive advantage, as illustrated by Ann Yose lies in consulting services, which is appreciated by most of their "unsophisticated clients". Hence, they should take advantage of this edge and develop it into an entirely new department, which they could benefit from. Although this would entail a major restructuring of the company's management structure, this should not deter them from exploring this idea if they are really concerned about making profits and maintaining their competitive edge over other firms. By developing management consulting into an entirely new service independent of auditing, they could lower their auditing fees for clients, which do not require their comprehensive services, while at the same time still be able to offer management consulting for clients that require them at current fees. This gives them cost leadership in terms of auditing only services while at the same time maintaining product differentiation for their comprehensive services, which they could develop into a "package" deal.

Second, in terms of their target market, although municipal clients bring in the most profits, the contribution of other client industries in their profits is increasing. Disregarding these industries will not be beneficial for the firm. Thus, they should diversify the clients that they cater to. By providing services to other industries, they can gain new clients the same way that their competitors were able to get their clients, which could be a good alternative source for their profits. By gaining new clients in a different industry, they can easily balance out losses from the municipal industry. H&B should therefore aim to develop their consulting services to benefit

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from their competitive advantage and expand their client base through diversification. By doing so, they will be able to provide their clients with all auditing and consulting services that they require, and at the same time solicit new clients from other industries, expanding their client base.

Looking into the gross revenue of the firm, the aforementioned strategies should sharply increase the profits from general management consulting, in terms of services, while at the same time maintaining and gradually increasing the profits from other services brought about by new clients from other industries. This should not mean that the municipal clients are being ignored; instead, it just means that while existing municipal clients are satisfied with the firm's services, the firm has successfully obtained more clients from other industries.