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Now

May. 30, 2016

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Tandy 4000. Put a Tandy 4000 on your desk and unleash the raw power of the 80386 microprocessor. The 4000 is so cost effective you can actually configure a 386 system for less than you'd pay for a competitor's 286 model. The 80386 is a 32-bit microprocessor operating at a 16MHz clock speed (ordinary PCs poke along at 4.77 MHz with an 8-bit data path). The Tandy 4000 features a 1.4-megabyte 3 1/2" disk drive, with room for two more internal drives—either 3 1/2" or 5 1/4" floppy disks, hard disks or disk cartridge. There's a real-time clock, enhanced keyboard and keylock, plus a socket for an 80287 math co-

processor. One megabyte of memory is standard, and you can expand with another megabyte on the main board, plus 2 megabytes using a dedicated memory slot (bringing total memory to 4 megabytes). Using one megabit memory chips, the system can be expanded to 16 megabytes.

25-5000	2599.00
2-Megabyte Memory Expansion Board, 25-5030	799.00
1-Megabyte Kit, 25-5031	429.95

Operating Systems

MS-DOS 3.2/BASIC/DeskMate II for the Tandy 3000 HL/3000/4000, 25-4103	99.95
XENIX Multuser Operating System, 25-4201	595.00
XENIX Development System, 25-4202	595.00

SPECIFICATIONS. Microprocessor: Intel 80386 processor with 32-bit data path. Clock speed, 16 MHz. Object code compatible with 8086/8088. Real-time clock with battery backup. **Operating System:** Optional MS-DOS 3.2 with GW BASIC or XENIX System V. **Memory:** 1 megabyte RAM (expandable to 4 megabytes using expansion slots). Includes power-up diagnostics. Sound included. **Keyboard:** Enhanced 101-key keyboard. **Disk Drive:** 3 1/2" floppy disk drive (1.4 megabytes). Three front drive slots. **Internal Expansion:** Six AT and two XT slots. Optional 80287 math co-processor can be added. **External Connections:** Standard serial and parallel printer ports.

Items on These Two Pages Available Only at Radio Shack Computer Centers and Participating Stores and Dealers.

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Back to the Future – Looking Back over Three Decades

Recently my clients, Tony Frabotta and Rick David of UHY Advisors, forwarded to me the **Summer 1988** issue of *The PDI Report*. Tongue in cheek, they said to me they were surprised to see that there was another Allan Koltin who also did consulting to the accounting profession. (Needless to say, they were poking fun at me based on my 1988 photo versus how I appear today!)

This issue of *The PDI Report* was not just any issue; it was an issue in which we

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leadership and management, value billing, and the significance of having a firm vision, mission and core values.

It's also interesting to know that back then a mid-sized firm was defined as a firm with \$1-\$10 million in revenues, whereas today a mid-sized firm probably would start at \$10 million and potentially go up to \$36 million (the cutoff point for being a Top 100 firm).

That being said, the following are items that have completely changed since that time or weren't even on the table for discussion:

1. **Women's initiatives.** There was virtually no discussion of women's initiatives, leadership or increasing the number of women as partners within the profession.
2. **War on talent.** If the war on talent existed it sure wasn't talked about. As someone who was a staff accountant in the '80's, the biggest perk I recall was bagels on Saturday (only during tax season) and the "privilege" of keeping your job! I don't think anyone could have predicted that firms today would have professional leadership in charge of recruiting, retaining and growing its own talent. In those days it was all about servicing the client (at all costs). In today's world I think most firms have adopted the famous phrase from Southwest Airlines, which is "happy employees produce happy clients."

It should be noted that words or phrases such as flex time, flex scheduling, unlimited vacation time (no need to track it – we trust you), millennial space, part-time partners, income versus equity partners and hoteling are all terms that we never could have imagined or visualized being used within our profession. The most ground-breaking thing back then was firms going to daily time reporting; in today's world, most firms couldn't even fathom a time-based business that wouldn't report time daily.

3. Succession planning crisis.

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would completely transform our profession, as well as the services we provide to clients.

5. **Merger mania.** The term 'merger mania' is mentioned in the report, but we never could have predicted the frenzy that is truly taking place in our profession today. Back then, merger mania was defined as a merger between Peat Marwick and Main Hurdman. Today, locals are becoming regionals, regionals are becoming mega-regionals, mega-regionals are becoming national firms and national firms are becoming global firms at a record pace. Of particular note is that in the year 2000, the 100th largest firm was approximately \$6 million. That same Top 100 firm today trades at \$36 million in revenues.
6. **Leadership development.** Back then, training to become a better managing partner, department head or service line leader was referred to as "the school of hard knocks". Today's firms, as well as the profession, provide leading edge training on how to become a more effective leader. Heck, the Harvard Business School even offers a specialized program for leaders of CPA firms. Today, upward evaluations, peer and 360-evaluations, and the like are a normal part of how partners and managers develop their leadership skills. In 1988 I dare say I didn't know of one firm that would engage in these types of measurements.
7. **Valuing leadership.** In terms of leadership, I think that today firms actually value great leadership and management equal to or greater than anything that any partner can do. Simply stated, firm leadership is now viewed to be more important than production, book of business, and most other areas. Back then, leadership not only wasn't valued, it was viewed as a necessary evil. At best, leaders were allowed to manage everything except for the partners!
8. **Product development.** Back then, product development meant going from unaudited and audited financial statements to compilations, reviews and audits. Today's world involves CPA firms investing millions of dollars in value-added services that they can provide directly or indirectly to clients. While it hasn't been

said yet, I do believe we are quickly migrating to what the razor blade industry has

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...our firms, CPE and CMA, were able to figure out how to run a successful CPA firm with outside ownership. It will be interesting to see if over the next decade the next wave of outside investors are private equity groups and/or some other form of financial services company.

0. **Commissions and contingent fees.** As you can see in the special report, there was quite a bit of controversy over commissions and contingent fees and whether accepting fees in this manner would compromise the accountant's independence and integrity. If anything, the past couple of decades have proven that firms have thrived with alternative billing and fee arrangements and, at the end of the day, clients simply cared about whether you delivered value for them. In terms of trust, integrity and being the client's trusted advisor, I think many firms that have been involved in these alternative fee arrangements will tell you that they have actually developed a more intimate relationship with their clients than they had before.
11. **Mandatory retirement.** We probably could have reasonably predicted this trend if we'd asked the question about retirement three decades into the future. We would have known for sure that the average age a partner in a CPA firm lives would continue to increase (it is actually 86 years old today). What we couldn't have predicted, though, was the succession planning crisis and the mandatory retirement issue both hitting at the same time. Firms today are extending the work life of the average age of a partner, partially because partners are living longer and want to continue working, but also partially due to the succession crisis and not having the abundance of younger talent that the profession had back then.
2. **Diversity.** If the word 'diversity' existed back in 1988, I'm not quite sure it had found its way to the accounting profession. Today, diversity is as important a topic within the human capital equation as anything else we could talk about. It also should be noted that it's no longer all about just being a CPA and that over 20% of recruits coming out of universities today don't have accounting backgrounds. It should also be noted that the CGMA designation could potentially replace the CPA license over the next decade as the license of choice. As long as we are speaking

about how CPAs look, it should be noted that in those days consultants and

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- significantly more value than a working partner would have received from
4. **Partner compensation.** It was interesting to note in the special report that the profession was already making positive strides in terms of figuring out performance-based compensation. That being said, billable hours and production were still king and I'm not sure that new business origination, firm leadership and client management had the same value as billable hours. Fortunately today, firms have evolved to not only realize that there isn't a one-size-fits-all model when it comes to partner compensation. But rather, they are looking at each partner individually, assessing their strengths and weaknesses and then developing an individual goals program for them that helps them and the firm be that much more successful. I seem to recall (although it wasn't captured in the special report) that a consultant at that meeting stated that it should be mandatory that all partners in a CPA firm should be required to have 1,400 charge hours per year. My guess is if that same consultant said that to a group of firms today, they'd probably be laughed out of the room!
 5. **Practice growth.** In those days you could count on one hand the number of marketing directors and sales people that existed within the profession. Today there are hundreds (if not thousands) of professional marketing, sales, technology, HR, financial and administrative professionals within the firm. While I wouldn't say we went from being a profession to a business, I would like to believe we are still a profession, but we also have become a business.

My guess is I could quickly do a reread of the special report and come up with a couple other items I didn't mention above, but that's where you come in. Please read the *1988 Special Report* and call (312-662-6003) or email (akoltin@koltin.com) me with any revelations or items that jumped out at you that I may not have captured. In my next post I will do an update to share your thoughts and ideas on the transformation of the industry over the last 30 years.

In closing, I would like to give special recognition here to an individual who

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service we deliver to our clients, as well as the type of talent we continue to recruit and grow.

—

Allan Koltin, CPA, is CEO and founder of the [Koltin Group](#), a Chicago-based consulting firm that specializes in working with professional and financial services firms in the areas of practice growth, practice management, human capital, and mergers and acquisitions.

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