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# Organizing the firm for growth

Robert Beyer

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*knopf*

# Organizing the firm for

THE THUNDERCLAP OF A JET PLANE breaking the sound barrier, the 18,000-mile-an-hour speed of a globe-girdling satellite, the scientific miracle of a Telstar projecting its multi-million image on global TV, the lightning calculations of an electronic computer and the automated factory run by a single man — all these are symbols of space age industry and the wonders it is working today.

But just as the stub-wing, eel-thin form of the jet plane is shaped by the aerodynamic forces it encounters in flight, so the pattern of business is molded by the deeds it performs. And in a like manner, the “look” of any profession that serves, advises or guides the management of business is determined by such a changing configuration.

This article is written to tell you, as a member of our firm, about the new “aerodynamic” configuration of Touche, Ross, Bailey & Smart and to describe the kind of organization we have evolved to help business steer a profitable course through an environment that constantly grows more diverse, complex and demanding.

This organization format includes techniques, principles and philosophies which have been developing in many offices of the firm since their inception. It expresses concepts we have always felt we should have and, to a greater or less degree, concepts that we have developed. Of major significance is the fact that we have now found a way to implement them.



# Growth

Robert Beyer



As many of us already realize, we have dedicated ourselves to making the full complement of integrated services available to all clients of each individual office. Moreover, our concept of integrated services not only requires that we should make these services available, but it also requires that we fulfill what we regard as an obligation — to point out where the client can benefit from any of our services adapted to his needs.

Obviously, to fulfill this obligation, each of us must understand the range of services offered. And since the scope of these services grows out of the inherent information link between management and accounting, each member of our firm should be prepared to discuss fluently the nature of management information functions and their place in the concept of what we have called “integrated services.” It is to implement these objectives that the firm’s present organization structure has been devised.

But before we describe its detailed provisions, let us take a closer look at what is meant by the term “integrated services” and see what lies behind it.

For some time, the term has been taken to mean total services—audit, tax and management services—with the added ingredient of coordination among the three. But today, a good deal more is involved.

For some time, competitive and technological pressures have relentlessly impelled business toward greater and

*Our Managing Partner, Robert Beyer, lives in New York, but he is a native of Wisconsin. When he graduated from the University of Wisconsin with B.A. and M.A. degrees in economics, he also received a Phi Beta Kappa fellowship for an extra year of study in budgetary control and production planning. In 1936 he joined Ernst & Ernst, leaving in 1947 to become executive vice president of Cleaver Brooks Company in Milwaukee. A year later he opened the Milwaukee office of TRB&S. He was admitted to partnership in 1950. As Chairman of the Management Services Committee of the firm, Mr. Beyer was primarily responsible for the creation and development of Profitability Accounting.*

greater growth, complexity and diversity, and management has been forced to devise faster, more efficient, and more highly coordinated information systems for the planning and control of operations. Its efforts have resulted in a unified communications network which for the first time puts managers in a position to capitalize on new developments in accounting, electronic data process-



ing and the management sciences, all three of which are now playing such a dynamic role in the creation of advanced business systems.

Faced with these new pressures, clients today are demanding far more than the traditional audit. They want the benefit of all the constructive management suggestions that can stem from the audit function. Consequently, we have taken these demands and cast them into an integrated program that allows the auditor, the tax specialist and the management services specialist to collaborate in setting up the system best adapted to each client's needs.

To attain the objective of total service on an integrated basis for each client, we have evolved an organization structure which embodies the relatively new concept of *general service partner*.

A *general service partner* is a "line" executive reporting to the *partner in charge* of an office. His experience background is such that he is able to deal in some depth with all three classes of service—audit, tax and management services—and he also has responsibility for the "added ingredient" of integration. He has primary and over-all responsibility for the firm's relationship with a client. He

brings a business man's point of view to the client. He may provide consultation or services for his client from executives of any of the three client service departments, as well as the general service partner in charge of the integrated services department.

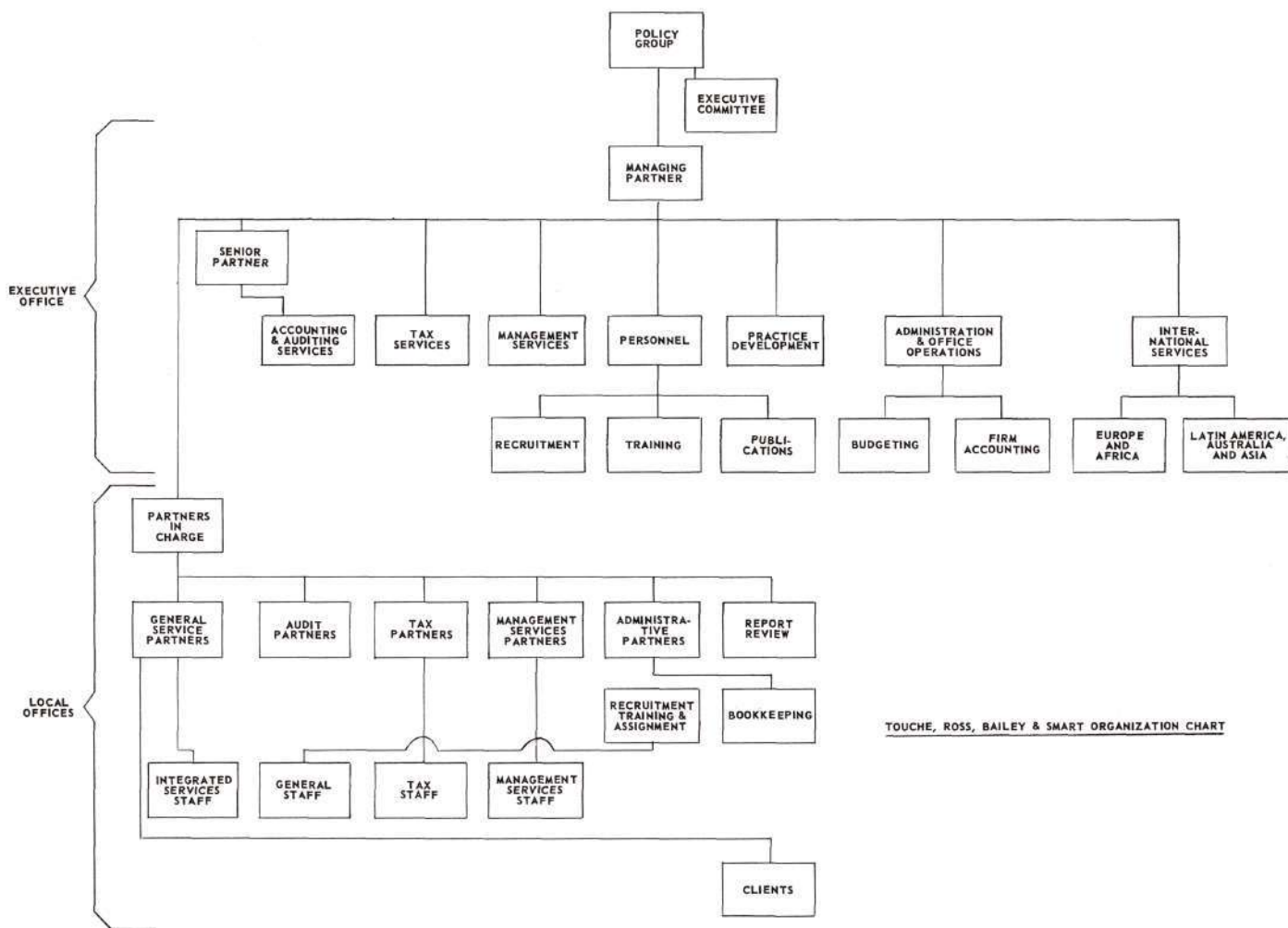
By definition then, a general service partner must be a person with experience to deal in all three services. In addition, he could have a specialty. Thus, a general service partner for one client might be a tax partner for another, or vice versa. In this case, it would be the tax partner's job to familiarize himself with all phases of the client's business and to see what help he may need from any quarter.

In some offices, the "added ingredient" may be provided by *integrated services* departments, consisting of technical people who have a broad background of experience in all three technical services. Clients assigned to the general service partner in charge of such a department usually require a broad, rather general but perhaps intensive type of service. The integrated services departments generally will be found only in the larger offices. They constitute a sort of "small business department." It is usually the smaller client organization which is assigned to such a department, while the larger and more complicated clients are handled by members of regular client services staffs but always under the direction of a general service partner. In smaller offices, all or a major part of the staff may be organized as an integrated services department.

In our organization there is a clear distinction between *line* and *staff* positions. Line authority runs from the *Policy Group* at the top of the organization chart to the *Managing Partner* and thence to *partners in charge* of offices. The partners in charge delegate line authority to other partners and managers in the office. Line executives in the offices are responsible for the management of engagements and operations generally, and for the day-to-day implementation of firm rules, policies and objectives.

Our firm has an organization chart closely resembling the corporate form. On our chart, our *Policy Group* has a position comparable to that of the corporate board of directors with the chairman of the group corresponding roughly to the chairman of the corporation's board. The *Managing Partner* occupies much the same position as the president and chief executive officer of the corporation. We also have an *Executive Committee* which, contrary to what the name may imply, is not part of the line organization but a group created to advise the *Managing Partner*.





TOUCHE, ROSS, BAILEY & SMART ORGANIZATION CHART

The Managing Partner is responsible for running the organization as its chief executive within the bounds of established policy. However, it is highly desirable that he take counsel from the Executive Committee and it has been found to be important that he meet with its members approximately once a month. Major support also comes from the Senior Partner, who takes the responsibility for the quality and breadth of auditing and accounting services and their coordination with the other services.

While the Managing Partner is busy developing and implementing new programs, the Policy Group concerns itself with the impact of proposed new programs on established policy and with the need for changes therein to carry the partnership forward.

The partner in charge of the local office is the lead man on the firing line but, unfortunately, he is under such constant fire that he has to fight for time to plan or to meet the detailed demands for new and specialized services. However, he can call on a complete array of

staff specialists in the firm's fully-staffed executive office who are in a position to assist him materially in his effort to propel the office ahead. This does not detract from, but on the contrary strengthens, the position of the local partner, for he is the man responsible for serving the client.

This almost always means that these facilities give the partner in charge a chance to express the real spirit of the firm. He must be a real managing partner in his own particular sphere, not a man who gets tied up in minutiae, but one who is able to see the big picture and to turn in a good performance as a leader of men.

This is the essence of our effort to serve the fast-spreading and ever-shifting demands of world business with total services wherever they may be needed. The general service partner and the integrated services staff are the keys to the new order but a top-side organization has also been evolved to meet—no, more than that, to anticipate—the new conditions in business.

In the executive office, working closely with the Man-



aging Partner, there is a staff of seven national directors who function in the following areas:

1. Accounting and Auditing Services
2. Tax Services
3. Management Services
4. International Services
5. Personnel Activities
6. Administration and Office Operations
7. Practice Development

The roles of the national directors do not relieve the partners in charge of responsibility for managing their designated operations. These roles are essentially staff rather than line but every director has the designated responsibility of developing and recommending firm policies in his assigned area, to be issued with the approval of the Managing Partner. Besides, each one has the responsibility of working out plans and programs to achieve specific objectives in his particular area as, for example, the administrative director who is charged with developing administrative policies and procedures and assisting in the overall management of the firm; the personnel director who is charged with the recruitment and development of personnel; and the practice development director who is charged with extending services and opening new offices.

Besides, many of the directors have several objectives in common, such as:

- Maintaining high standards of technical competence,
- Counseling offices on technical problems,
- Developing an effective program of research,
- Developing or collaborating in the development of training activities,
- Promoting the services of their departments,
- Supervising liaison with domestic and international offices and outside organizations.

At this point, I would like to make sure we all realize how much strength these specialists add to our organization. They are all men of outstanding accomplishments with national reputations in their fields, who fully appreciate the opportunities which lie ahead. Their presence leaves the Managing Partner free to make plans for further progress of the firm. He does not have to fritter away inordinate amounts of time in the shuffling of papers, hanging on the telephone and re-directing lost sheep. Instead he is relatively free to sit back and think, to coordinate the things he should be coordinating, to plan for further progress and to lead the firm ahead.

This staff of specialists is symbolic, in a way, of a major decision we have made in our firm. Periodically,

through the years we undertook intensive discussions on alternative courses of action which took form in these two questions:

(1) Should the firm be an organization run rather inexpensively with a minimum number of staff people, in which the work now done by the national directors would be the extra-curricular activity of the line executives in the offices?

or

(2) Should we set up national directors with no line responsibility who would be available to take the lead in such things as research and training and to furnish whatever technical assistance the various partners might require?

Gradually, we came to a decision in favor of the second course, even though we realized that it was the more expensive in the short run. We felt that in following the first course we would only be doing half the job, where the line people would have to expend their efforts in the daily grind of getting and serving clients and probably have very little opportunity to sit back and plan for the future.

We decided as we did because we had no intention of simply maintaining the status quo; we were out to organize the firm for greater growth and we felt the second course of action would get us much further along in considerably less time. Moreover, we felt that if we achieved our growth objectives, we would well be able





to afford the extra expense involved in adding the national directors and their staffs.

From a practical standpoint, the attainment of our objectives with respect to integrated services for clients implies especially vigorous attention to management services, and we have the capacity, the desire and the technical capabilities which are needed to do this job. Our conceptual breakthroughs in Profitability Accounting, SIM and advanced business systems, to mention just a few of our "firsts," bode well for the future.

Ten years ago, the management services of major public accounting firms might have comprised five per cent of professional services in general. A current rough estimate of such activities might be 15 per cent. Various predictions on the importance of management services in the next ten to twenty years assign it a proportion of from 25 to 30 per cent of the profession's total services and many of the estimates run far higher.

We ourselves think along these lines and our firm was one of the first to get into management services in depth and to recognize the value of this added element. And while we have not reached our goal with respect to the proportion of this kind of activity in our total service pattern, we are definitely on the way and the nature of our planning would seem to insure success of the program we have set up.

Though considerable space is being devoted here to the coverage of management services, this is not meant

to depreciate in any way the importance of our other two classes of service. Auditing will at any time in the foreseeable future compose the bulk of our work. And every financial decision in business today has some tax implication, so that we may be sure the function will be one of steadily growing importance which will continue to offer rich career opportunities.

But before we leave the general subject of management services, it should be pointed out that management services work as practiced by CPAs should be limited to the development and installation of business systems, either in part or in entirety, and to consultation with respect to the significance of information produced by such systems.

This precept is reasonably construed to include activities such as installation of inventory control or electronic data processing systems. Meanwhile, the rule would exclude from the practice of management services activities such as plant layout work and psychological testing. Further, it might be said that we serve management but do not do management's work. We do not participate in the making of individual management decisions. The accountant bears the responsibility of consulting and recommending, but management bears the responsibility of decision making.

Our growth program has brought us to the point where today we have 131 offices in 32 countries. For us, expansion is not a major goal in itself, but business today is expanding tremendously all over the world and we must go with our clients wherever they go.

But if we are to achieve our planned growth, there are several other things we must do:

1. We must constantly improve our recruiting. Both on campus and in business, we must make our firm so attractive that we can continue to attract the young stars who will proudly bear our name 15 or 20 years from now.

2. We must constantly be finding ways to expend more thought, effort and money on local, regional and international training programs. The trainees must not only be the new people we are just bringing into the firm but also those solidly established in the organization—all the way up to the top.

As an example of one of our newest training programs, many of our partners, managers and supervisors—about a hundred to begin with—are presently attending seminars on how to coordinate auditing with the technique of the computer. We want to teach the auditor what the computer can do and what he has to do with it. And we want to teach the EDP man to install the system so that it can be audited. This curriculum deals at first with methodology as it applies today to the partial systems in





use among our clients, but it also looks forward to the day when the entire information system will be put on the computer.

We are also continuing our extensive training programs in statistical sampling, applied not only to auditing but also to the whole accounting process.

The new technologies in electronic data processing, management sciences and Profitability Accounting are not only difficult to understand but even harder to explain. And it is on this technique of explaining or teaching—popularizing, if you will—that we are concentrating particularly hard right now.

Involved and complicated as they are, these new disciplines must be distilled down to their simplest elements and skilfully interpreted so that they can be communicated and understood by non-technical client management. We have excellent technical people who understand these new disciplines and today it must be part of their job to educate general service partners so that they in turn can inform the clients and make them enthusiastic about the rich new opportunities that are open to them. This is all part of the training program.

3. Lastly, if we are to grow, we must excel in research. We have already conducted much valuable research and it's highly important that this go on. We would stagnate without it.

In the meantime it is important to coordinate and implement the results of research already completed and to distribute it to the people in the field who need it. Many industrial firms, too, are recognizing the desirability of marketing the research they already have done. We must keep our research from getting locked up in the minds of the researchers.

We have already taken steps in this direction. In audit-

ing, for example, we have a forward-looking program which will result in all of our research being systematically documented and circulated to all offices. But beyond this, we are working toward a permanent system for all professional and scientific areas that will organize, preserve and apply research reports which might otherwise be filed and forgotten in places where no one would think of looking for them.

This, then, is the configuration of Touche, Ross, Bailey & Smart, and it is also in a large measure the "new look" which much of our profession is assuming in order to supply the guidance system for space-age business in a new and unfamiliar orbit. As auditors, we in our profession have traditionally been characterized as people who do nothing but check and double check, as routine performers who sit around all day making tick marks up and down a column of figures. Those days are gone forever. The auditor today must be more interested in internal control and the flow of data in management information systems than he is in the reconciliation of bank accounts and the aging of accounts receivable, necessary as these procedures may be.

Today the TRB&S man is first and foremost a business man. He must understand the entire business process, lest he fail to see the forest for the trees. He must see the real meaning of the figures and information which march before him if he is to give management answers it needs.

If we meet these specifications, we can be sure that we will always be a strong firm, one with a future for all of us. It will not be an easy thing, but we must forever be sure of keeping alive the talents necessary to provide our clients with *total service on an integrated basis*, and not only must we have such talents but we must let business know that we have them.

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*Robert K. Mautz is professor of accountancy at the University of Illinois. His essay won first place recently in a contest held to create a code that could be observed by business students as well as the individual businessman.*

*The contest was sponsored by the Alpha Kappa Psi Foundation, a non profit foundation established in 1951 by Alpha Kappa Psi Fraternity, a national professional business fraternity. Its purpose is to educate the public in economic principles and to conduct research in business and educational subjects.*