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Old Dogs Don't Create New Tricks

BY RON BAKER

Almost everything that is great has been done by youth. — Benjamin Disraeli

It's an age-old question: Can you teach an old dog a new trick? We've all heard, had nausea, how CPAs despise change. Yet this is not exactly true. The CPA profession has undergone and adapted to constant change since its establishment in the late 19th century. There is nothing surprising about this, as people have always been willing to change if it brings hope of a better future.

Consequently, old dogs can learn new tricks, as they find more effective ways to adapt and leverage new technology, methods, processes, ideas and social networks in order to increase the return on their human capital. Let me be clear on this

point: In a knowledge economy, the older you are, the more money you will make, as your stock of intellectual capital is greater. Hence, the following argument should not be misinterpreted as a call to dismiss middle-aged or elder professionals.

CREATING NEW TRICKS — BET ON YOUTH

That said, there is another dynamic to the "new trick, old dog" question, which is this: Can we expect an old dog to *create* a new trick? This is a totally different question, one of innovation and creativity rather than incremental improvements to the status quo, and the historical evidence is overwhelming in providing the answer: It's not likely.

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editor's note



You are right if you are feeling that things are changing. Twenty or so years ago a blackberry was something we would eat, not something that contained our life history and connected us with the outside world. A mouse was something we would try to catch in a trap, not a gadget that we would use most of the day. And mail used to come in an envelope, not electronically.

Yes, Virginia, Life Is Getting More Complicated

The list of changes goes on and on and encompasses almost every aspect of our lives.

I'm not suggesting that we do away with these modern technologies. They are here to stay. And while these new gadgets have definitely increased our daily productivity, we have paid a cost. Ever try getting away for a peaceful afternoon? About the only time I can get away from the cell phone is on an airplane and even that is about to change. I can hardly wait to be sitting next to someone on a plane,

listening to the results of their recent surgery or the details of Aunt Tilley's vacation.

Now that tax season is ending, commit to spending a few days each month not working, but doing other things you really enjoy—gardening, photography, biking or taking a long walk with your children. Whatever gives you enjoyment, just do it!

Enjoy life, another tax season is over.

August J. Aguilar

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The remaining analysis will, no doubt, cause discomfiture for a great many of you, but facts are stubborn things, and the fact is most of us simply live and die within the same paradigm. The reality is, if we are in our late 40s or 50s the chances are very low of creating a groundbreaking innovation. People who hear this for the first time challenge it, deny it – some even get offended by it. We are all entitled to our opinions but facts are facts. Consider a modest sampling of the historical evidence:

- In 1905, Albert Einstein introduced the special theory of relativity at age 26.
- The average age of the scientists on the Manhattan Project was 25.
- In 1881, William Halsted conducted the first known human blood transfusion at age 29.
- James Watt, in 1764, invented the steam engine at age 28.
- The average age of the signers of the *Declaration of Independence* was 45, the oldest being Benjamin Franklin – skewing the average at 70 – and Thomas Lynch, Jr. (South Carolina), the youngest at 27.
- The average age of the delegates to the Constitutional Convention was 43, the oldest being, again, Benjamin Franklin at 81 and the youngest Jonathan Dayton at 26.

Charles Murray, Bradley Fellow at the American Enterprise Institute, wrote an absolutely fascinating book, *Human Accomplishment: The Pursuit of Excellence in the Arts and Sciences, 800 B.C. to 1950* (Harper Perennial, 2004), wherein he identified 4,002 individuals who basically invented, developed, or proved the most consequential ideas and technologies in the history of the world, from 800 B.C. to 1950. The average age of these individuals was 40.

IMPLICATIONS FOR THE PROFESSION

The last truly new service offering produced from the ground up in the CPA pro-

fession was the Statement on Standards for Accounting and Review Services (SSARS), effective in 1978. All of the other new services the profession has offered to the marketplace since then are merely extensions of services offered by others, such as consulting and financial services, or regulatory requirements from Congress, the SEC, PCAOB, IRS, and other government agencies. The profession has a 28-year – and counting – innovation curve.

According to the AICPA's PCPS Firm Practice Center, 60% of accounting firms have principals in the 55-62 age bracket. Moreover, 62% of AICPA members are over the age of 40. I recently spoke at a partner conference, eerily reminiscent of an AARP assembly. The participants were bemoaning the same old issues of attracting and retaining talent, leadership, billable hours, productivity and profitability, while the speakers offered the same stale solutions, most of which date back to the Eisenhower administration – such as increasing billable hours, leverage, and productivity, completely ignoring the new realities of a knowledge organization.

If firms, not to mention the profession as a whole, want innovation and dynamism in tandem with attracting the best and brightest talent, they will have to give more authority and responsibilities to their youthful team members. Organizations, like arteries, tend to calcify with age, and young team members – far more prone to adventure and risk-taking – can keep the blood pumping at an extra vigorous pace. No doubt they will make more mistakes and incur more failure, yet risk is where profits come from. The alternative is continued irrelevance of a once-proud profession, more and more dependent on regulatory revenue rather than wealth-creating innovations that add value to its customers. Ossification is not an option.

As Steve Jobs once said, "It doesn't make sense to hire smart people and then tell them what to do; we hire smart people so they can tell us what to do." Still, in far too many firms today, the old dogs are stifling

the young ones by remaining hysterically historical, clinging to obsolete dogmas of a business model based on an industrial era command-and-control hierarchy no longer relevant in an intellectual capital economy.

THE WAY WE'VE ALWAYS DONE IT

A 30-year-old junior economist working at the Treasury Department in the 1940s suggested taxes be withheld directly from employees' paychecks, a pay-as-you-go system, as opposed to the once-a-year payment as was then traditional. The biggest opponent of this new idea was the Internal Revenue Service, validating the first law of bureaucracy – the only feasible way of doing anything is the way it is being done. They believed it was simply not possible. Today, when economists suggest the elimination of tax withholding as part of major tax reform proposals, the IRS is the biggest opponent of the change, claiming it is not practicable to have taxpayers voluntarily comply any other way. The young economist? Milton Friedman, who, to this day, regrets being part of implementing this new scheme in the brashness of his youth.

The question for today's firm leaders is: Will they allow their young team members the opportunity to create path-breaking services and experiment with new approaches for the benefit of the firm and the profession as a whole, or will they continue to reject too much and adventure too little, remaining satisfied with a settled mediocrity of success and the illusion of security. The posterity of our profession depends on letting the new dogs create new tricks. History proves no one else will.

Ron Baker's newest book is Pricing on Purpose: Creating and Capturing Value (John Wiley & Sons, Inc.). Contact: (707) 769-0965 or Ron@verasage.com.