

1979

MBA and Tax Professional: A Ticket to responsibility

Barry Newman

Joseph Myers

Follow this and additional works at: https://egrove.olemiss.edu/dl_tr



Part of the [Accounting Commons](#), and the [Taxation Commons](#)

Recommended Citation

Tempo, Vol. 25, no. 2 (1979), p. 18-21

This Article is brought to you for free and open access by the Deloitte Collection at eGrove. It has been accepted for inclusion in Touche Ross Publications by an authorized administrator of eGrove. For more information, please contact egrove@olemiss.edu.

T

The MBA and the Tax Professional

→ A-A

A TICKET TO

MEP
XPA

by BARRY NEWMAN/Partner, New York,
and JOSEPH MYERS/Tax Consultant, New York

RESPONSIBILITY

"You have to be a well-rounded individual these days, especially in business. My MBA will help me to be conversant in many different aspects of business and will allow me more depth in my work as a tax practitioner. I expect to be better able to understand and solve my client's problems."

More and more bright young men and women are delaying the start of their business careers in order to earn a master of business administration degree. Many of these candidates have set their sights on the challenges in the accounting profession—and tax in particular—saying the MBA is excellent training for professionals in that field. But what are the underlying feelings, convictions, and motivations of these individuals? The authors recently talked with several business students and MBA graduates to learn more about their values and career goals.

First, it is important to understand what qualities an MBA graduate should possess. According to Dean Boris Yavitz of the Columbia University Graduate School of Business, they are: "Sensitivity both to change and to emerging problems. He or she should have the ability to perceive and structure problems which are by nature ill-structured, and the skill to assess the cost-benefit relationships of potential courses of action."

The success of curriculum planners in developing these attributes in MBAs is evidenced by the growth trend of business schools. Applications for admission have risen more than

68 percent during the past four years and have created great competition for limited seats. Most significant is that enrollment of women and minorities during the period has tripled and doubled, respectively.

But the business school does not limit student learning to the classroom. "I study with students who come from many countries, and who have a variety of career backgrounds," says Hermene Friedman, a third semester Columbia MBA candidate. "As a result, their approaches to problems are diverse. This exposure makes me more aware that a complete manager needs to be an integrator of both ideas and people."

The MBA programs are drawing students from a much wider population than ever before, including many who were managers in business. "Greater competition for advancement, along with a growing complexity of managerial roles have combined to induce many managers to go back to school," says Dean Yavitz. The graduate is likely to be older, have some prior work experience, and possess definitive career objectives. There is an aura of purpose: to be effectively prepared for a demanding career.

These MBA graduates want to prove their worth at an early stage of their career. They want to know that their input can influence a business decision. There is a strong desire to be in a position of responsibility and authority. The peer respect that goes with this is perceived as a greater incentive than is the money.

"What I want most out of a job is a lot of responsibility—that's one, two, and three on my list," says Ms. Friedman. "That implies freedom to make decisions, to carry them through, and to accept the consequences. I want a

chance to think—that's for sure." Once these abilities are demonstrated, she believes tangible gains will follow.

The recognition that one must move up a step at a time in the company hierarchy is not seen as a deterrent to "fast track" motivations. What is important is that one reaches each level at the earlier end of the time spectrum.

"Some people don't choose public accounting as a career," explains Jeffrey Stoddart, an MBA intern from Harvard, "because they think it takes too long to make it to the top. They are disappointed if they don't start at \$21,000 or so, with the possibility of \$40,000 by the time they are 30. This could happen, but for someone like me, as long as there is a monetary reward at the end of the rainbow, I am willing to sacrifice short-term rewards, knowing I'll pass the fast starters in the long run."

The Tax Environment

The tax practitioner in a CPA firm faces a particularly challenging opportunity. As tax laws become more complex, there is an acute need for specialists to handle tax planning, tax controversies, and the writing of tax opinions. Moreover, proper tax planning requires a knowledge of the company and the use of sophisticated techniques in analyzing cash flow, evaluating opportunity and replacement costs, and using econometric computer models. MBA programs teach the newest techniques in these areas.

Graduates, many of them accounting and finance majors, are taught basic tax principles as variables to be used in business analysis. Thus, the MBA graduate who can also interpret company structures becomes an important part of the decision-making process.

A TICKET TO RESPONSIBILITY

This evolution from the passive compliance aspect of the past to creative planning enlarges the range of services that a tax professional is able to provide. "My initial exposure to tax was not wholly my own doing," says Nancy Berk, a recent graduate of Columbia Business School. "It was a required part of the accounting program. But I found the course was not the cut and dried memorizing that I expected. I was learning problem-solving skills, was probing into the Internal Revenue Code, and was applying the code to specific problems at hand."

An interesting feature of the Internal Revenue Code, another student added, is that many of the answers are there. The challenge is to find them. Each problem has its own nuance, which requires an analysis of each issue involved. Thus, the need for creativity and good business sense.

Tax is a highly practical course of study and can be applied to numerous business situations. It is important for management to understand the impact of the tax variable on both decisions and financial statements. Students perceive the tax advisor as a professional who works closely with management in applying tax laws to the enterprise. Students like that relationship, saying they want to get involved with the company's business affairs.

The thinking of a number of students that we talked to could be summed up this way: "You begin with interpretations of the Internal Revenue Code that are culled from some very bright legal minds. The intellectual exercise of just understanding those ideas is stimulating. And then to take those concepts and mold a corporate strategy requires use of your creative talents to the fullest. The need for mental sharpness is not only refreshing, it's what attracts one to this kind of career."

The MBA student today is changing. Many are coming back to school after some years of work experience and perhaps after starting a family. Some have made a radical change in career objectives. They are less starry-eyed than their predecessors about the input they can give institutions and what they can expect from them.

At the same time, however, one of the authors, who also teaches tax courses at a business school, notices a trend away from accepting things as they are and toward a concern for reform. "While students expect discussion of basic technical concepts, I find that more time and more emphasis is being given to answering questions on why the system is the way it is. They are concerned that tax laws are growing so complex that they are becoming unwieldy. They have read articles and speeches by politicians and business leaders and are no afraid of questioning them. Students who have learned to work within the system know they can accomplish some of their social objectives through it. Abuses stemming from the Watergate

"I had been in graduate school doing work in literature, when I realized it wasn't taking me anywhere. I transferred to the business school because pursuing a business career is more challenging and fulfilling."

debacle have made them wary of extra-legislative fiat outside the system."

This desire to work for change within the system develops as managers come to realize the responsibility they have inherited. These managers did their undergraduate work in the late sixties and early seventies, when considerable attention was given to how

the system was failing. Many then went into military service and later into the business world.

These managers know the difference between the Ivory Tower and the real world. They began to question the way things are. In the tax world, for example, they thought it important to know how an executive might get himself or his company into trouble. For some, the disclosure of 'perks' was long overdue. They took issue over compensation disguised as corporate expenses in order to evade taxes, while asserting the right to use tax laws as a vehicle to maximize profits—as long as that valid economic vehicle was not abused.

The changing expectations of the American public place pressures on the business sector to focus upon such concerns as energy, consumerism, questionable payments, and environmental protection. Thus, the business school prepares its graduates for demands beyond the teaching of technical and economic skills; it is teaching them to perceive the future environment. "Business schools should make their graduates as sensitive to, and as well-versed in, the socio-political determinants of business as they are about its economics," says Dean Yavitz.

"We need to be sensitive to concerns beyond the bottom line," agrees Kirk Duffy, a graduate of the New York University Graduate School of Business. "These concerns should be part of the strategy of corporate planning, for they will ultimately impact upon the financial statements. The more the school has made me aware of such forces, the better I can help a business executive in the planning process."

Students are expressing concern over recent regulatory decisions made in the tax world, reflecting a suspicion of the growth of governmental activity. "Tax laws should be made by the

people through their representatives," sums up the opinions of many business school students. "When the IRS or SEC propose or make rules, the bureaucracy is served, but the issue is often whether or not there is sufficient support for the proposal to warrant it."

The authors agree with the validity of these issues. Government agencies should administer tax laws, not make them. Congress should be the body to make legislation. For instance, the IRS had proposed regulations that would make certain compensation payments—tax deferred under nonqualified arrangements—become immediately taxable. This was proposed through an administrative regulation. In the eyes of business students, this type of thing should be in the province of the legislature.

Career vs. Lifestyle

Students seem to seek less interference not only in their business lives, but also in their personal lives. MBAs like the freedom of choice afforded by an above-average salary, but they do not want the job to dominate their lifestyle.

It is important to develop perspectives beyond work, students have told the authors. There is more to any employee than his or her job.

Those who have children emphasize making room in their lives for both family and studies. "This is a very crucial time in my life," says Ted Baron, a graduate of the Columbia University School of Business. "I am beginning a career and I am in the first years of a marriage, and both require a large expenditure of effort. There do occur times when the two conflict. I'm at the job at least eight hours a day, more time than I am with my family, so those moments with the family must really count. For, as important as my job and career are, they are secondary to my family. In fact, my career's main pur-

"I had a responsible position with a commercial bank in the international field. It was rewarding, and challenging, but the job was long-run dead-end. I wanted to build on my technical knowledge and make the transition to the managerial level."

pose is to give peace of mind and prosperity to my family."

MBAs will quickly point out that experiences outside the work environment enable them to do their work better. "By having different values and interests beyond the job, you can empathize with the client," says one of the authors (Myers). "That's what the client is: a group of individuals and you're interfacing with them. The client is not just cash and accounts receivable. So, because I can relate to a number of diverse interests of my own, I can also relate to the individual personalities of my clients, who have their own interests and needs."

Overtime offers a potential area of conflict between a personal lifestyle and career goals. Most MBAs realistically accept such pressures as part of the profession. "It's unhealthy to be totally career oriented," says Jeff Amkraut, an MBA from New York University, "but I will give up some of my personal life for career goals."

Once the MBA leaves the classroom, he or she understands how the classroom's broad-brushed approach to such areas as finance, marketing, and managerial behavior must be complemented by the real world of facts, issues, and decisions. The candidate is trained to react as a manager, understanding the sources and expertise from other disciplines. "A balanced education makes me appreciate the richness and complexities of the total decision process in the business

world," says Touche Ross intern Engin Kavenk, a second-year student at Dartmouth's Amos Tuck School of Business. "Today, one cannot understand the financial statements that go out to the public without also understanding the client's total business."

The MBA who emphasizes taxation realizes that tax considerations provide a key variable in decision-making. But if the manager sees tax as one of the variables in his planning role, similarly the tax planner must anticipate considerations beyond the tax effect. Thus, the organization structure, industry practices, and skills and experience of key management personnel influence the achieving of stated objectives. It is this overall awareness that makes the MBA tax advisor more effective in planning his strategy.

"I want to apply the knowledge that I've gained from two years of hard work at school," says John Boyd, a Cornell MBA. "I want to plan and integrate the tax questions with the operation of the business as a whole. This way I can take advantage now of the materials that weren't in my tax courses. Tax appeals to me precisely because it does require a knowledge of other forces that act upon business. Tax doesn't operate in a vacuum."

In an environment of such diverse needs, the one who can interpret the variety of forces that impact the planning process becomes valuable. Such an individual has an understanding of each situation as it actually exists. The tax practitioner with the MBA background is particularly trained to apply tax expertise to take full advantage of any business opportunity.

Clearly, today's MBAs understand that their prestigious degree has taken on new significance in the multifaceted business world. They are the business leaders of tomorrow, joining today's management along the decision path. 