

The Story of Crowe Horwath International

by Fernando Seglias



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# Introduction

*Déjà vu*: the feeling that we have already experienced the present situation.

In 2005, Horwath celebrated the 45th anniversary of becoming an international organization. It also marked the launch of the association's 2006 to 2009 strategic plan. When the board of directors was charged with identifying Horwath International's core values as part of the strategic planning exercise, echoes from the distant past stepped forward to shape those values: *caring – sharing – investing – growing*.

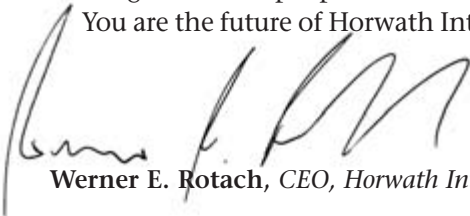
These are, in fact, the same values that have shaped the organization since its origins as Horwath & Horwath, a two-partner public accounting firm started by Hungarian immigrant brothers Edmund and Ernest Horwath in 1915.

Horwath International's core values today – caring, sharing, investing, growing – are an inherent and timeless part of its character since those very early days. Many of the Horwath & Horwath originals are long gone. They cannot sit with us and tell us their stories. So it is up to those of us who succeed them to share with the rest what we remember and what we have learned. Because our shared history defines us.

We are an accounting organization. But we are much more than the facts and figures that are our daily tools. We are a “family of firms” that shares generously with one another: ideas, expertise, support. By way of example, I am proud of the initiative and cooperation demonstrated by our members to grow our international business by launching our first “foreign desk” in Shanghai to enhance service for clients doing business with China. My hope for the future is that hundreds of our senior managers and partners will spend time at Horwath foreign desks in the world's key economic centers – gaining experience and sharing these experiences with other members of the Horwath family.

My hope too is that through *Caring Sharing Investing Growing: The Story of Horwath International*, all of you who are part of Horwath International will gain insights into our distinct, and very special, culture and values by reading about the people and the events that shaped them.

You are the future of Horwath International. This is your legacy. Pass it on...



**Werner E. Rotach**, CEO, Horwath International, 2006

*With my personal thanks and appreciation to Fernando Seglias for undertaking this ambitious, and much appreciated, journey of capturing the story of Horwath International*



## About the Author



*Fernando Seglias, 2006*

Chur, the capital of the canton of Graubünden, in Switzerland, may be considered a doorway to the glorious Alps – but certainly not a doorway to glorious economic opportunities. In 1960, for young Fernando Seglias, who had recently received his diploma in economics, this meant leaving historic, picturesque Chur and moving to Zurich, the economic center of Switzerland.

Once in Zurich, Seglias began acquiring industry accounting and management experience, first with a small international trading company and later with a large machinery manufacturer. With a

young CFO at the helm, Seglias knew the company offered little potential for advancement. He began a search for another position.

Having heard that public accounting firms offered opportunities to work with a variety of organizations and industries, and thus to acquire valuable career experience, in early 1970 Seglias joined Horwath & Rees, the Swiss member of Horwath & Horwath International Associates. This did not mean anything to him at the time, but it would shape his career at Horwath for the next 28 years.

Five months after Seglias had joined the firm, Ivan de Naray, president of Horwath & Horwath International Associates, came to Zurich to visit Albert Rees, managing partner of Horwath & Rees. During one of their discussions, de Naray encouraged Rees to send some of his professionals to the U.S. to develop their international capabilities.

Seglias volunteered. He spent two months in the Los Angeles office and, realizing that this was an ideal opportunity to develop work for his firm, stopped on his return trip home to Zurich to visit Horwath firms in Philadelphia, New York, Toronto, and Paris.

The payback was immediate – Horwath & Rees received two international referral assignments. One relationship would continue for more than 20 years. Seglias became a champion for the Horwath global network.

By the end of 1970, Seglias was a partner of the firm. He focused on serving international clients and his global connections began to expand. Through a newly established relationship with a businessman from Finland, Seglias and a lawyer friend wrote a booklet on Swiss corporate and tax law and the social securities system for the Helsinki chamber of commerce. They parlayed this into numerous meetings with business owners in Finland. Seglias subsequently acquired several Finnish clients who formed subsidiaries in Switzerland. He went on to develop a similar book for the German-speaking market – and used this marketing tool to secure a number of new clients.

In 1972, Albert Rees sold his local practice to a bank. Rees, Seglias and the third partner, Ruedi Fleischmann, continued the international practice and developed their own local clientele. Soon afterward, Victor Seidman, managing partner of the New York office of Laventhol & Horwath, referred to Seglias and Fleischmann the audit for the Swiss operations of one of the largest shipping companies in the world.

The partners leveraged their newfound expertise into developing their international business. For close to 20 years, Horwath & Rees (which later became Horwath Treuhand & Revisions AG), despite having only two partners and 18 staff members, would be among Horwath's top 10 referrers of international business.

In 1994, Seglias was appointed director of the Horwath European Regional Organization (ERO), succeeding Phillip Sober of Stoy Hayward in London. Before retiring from this position four years later, he was responsible for solidifying the European network by acquiring new member firms in former eastern European countries, expanding representation in other countries, and pulling the region into a more cohesive, proactive group.

Upon his retirement after nearly 30 years with the organization, Seglias reflected on what Horwath had meant to him during that time. “My professional life would have been very different without this organization. Not only has HI influenced me and stimulated me, but the healthy competitive spirit among my colleagues has also pressured me to do things I might not otherwise have done.

“I had the privilege of knowing HI's founder and first president, Ivan de Naray. Ivan related strongly to the human attributes that make the difference between a pure business association and the special nature of an

organization such as Horwath International. Ivan believed in faith, enthusiasm, and vision and expected his partners to reflect these characteristics. These attributes are still elements of HI's culture today."

While Seglias may be officially retired from Horwath International, his connection continues unofficially. He maintains many of the relationships he forged during 28 years with Horwath. This book is Seglias' way of honoring his "Horwath family."

"In 1995, when I was the director of Horwath's European Regional Organization, I organized an educational seminar in Opio near Cannes, France for young partners and managers of our European member firms," he says. "Dr. David Frankel, visiting professor of management development at Cranfield University in the U.K. and a consultant to professional firms, who led the seminar, invited me to share some of my Horwath experiences with participants.

"This gave me pause to think back on the Horwath experiences that were most important to me over the years. As a young partner of Horwath & Horwath International Associates in 1970, I had learned that establishing relationships with other HHIA partners not only added to my professional knowledge and abilities, but also was an ideal conduit for generating new business. As I came to know more partners throughout the international network, I received increasing value in return. Ultimately, Horwath became my 'professional home' through the meaningful friendships I established with other Horwath members.

"While these young partners and managers understood the facts about Horwath International, the real value of the organization – the business relationships and personal friendships that are such a strong bond among partners and professionals in the many countries comprising Horwath's network – were concepts with which they were not yet familiar.

"This is one of the reasons I offered to write the history of Horwath International. This organization has a valuable legacy built on important values. It's a legacy with which the long-time, the recent and the yet-to-be members of this impressive organization should be familiar. The bonds of caring, sharing, investing and growing have created one of the largest and most successful professional service organizations in the world."



## Foreword

*Caring Sharing Investing Growing* is an unusual title for a book about business. Most readers would expect this to be the title of a philosophy or sociology book. Even the words “investing” and “growing” have more than an economic meaning.

These words do, however, describe a successful business. A business that provided employees with bonuses, a profit-sharing program, and life insurance in the 1920s – a time when these practices were very unusual. A business that invested generously in the education of its employees – again at a time when this was not common practice. A business where a handshake assures a promise. A business that provides the community with teachers, publications, statistics, methodologies, ideas, and expertise – often without charge. And a business where members share their knowledge and skills with one another simply to help a colleague succeed.

I think you'll agree with me when you read *Caring Sharing Investing Growing: The Story of Horwath International*. This is no ordinary business book. It is the story of an extraordinary business.

It's been almost 100 years since Edmund and Ernest Horwath left Hungary in search of the American Dream.

They are both long gone. There are few records of their early years in the U.S.A., but we know they found their dream. Horwath International is the living proof of their achievement.

Why did the two brothers emigrate? How they did travel to the U.S.A.? What did they find when they arrived? There are no records to tell us. And so, we begin this story with some research and some speculation. In the first chapter, I attempt to recreate Edmund and Ernest's emigration from Hungary to the United States. After the brothers launch Horwath & Horwath in 1915 and begin expanding their increasingly successful firm, more records and more people help us fill in the blanks.

I based *Caring Sharing Investing Growing: The Story of Horwath International* on two previous booklets about different periods of the organization.

Published in 1983, *The History of Laventhol & Horwath* covered the period from 1915 to 1983. It was co-authored by two men: Stanley Ferst, at the time a partner of Laventhol & Horwath, a member of the executive council, and secretary of Horwath International; and Eugene Lott, former managing partner of Horwath & Horwath.

*The History of Horwath & Horwath International*, published in 1984, covered the period from 1956 to 1983. Stanley Ferst and Juan Seif, vice-president of Horwath & Horwath International, wrote this book. In the foreword of this latter publication, then president/chief executive officer of HHI, the Right Hon. The Lord Hirshfield, wrote: “*The History of Horwath & Horwath International*” recounts the background of HHI and traces its rapid and continuous growth and development during more than a quarter of a century. In its wisdom, the HHI council deemed it appropriate to produce a written record at this stage of our organization's history. May it bring added encouragement to our worldwide 'family' and friends – old and new.”

Horwath International has almost reached a half-century milestone. Lord Hirshfield, who died in 1993, would no doubt be pleased and proud to see what the organization has achieved.

Both publications are now out of print, but they provided a helpful foundation for this book. I supplemented my own memories as a member of Horwath for nearly 30 years with interviews of current and former partners, including: CEO Werner Rotach; Alan Johnson, managing partner of Horwath Hong Kong Group and chairman of the Asia Pacific Regional Organization (APRO); James Gemmell, retired partner of Horwath Clark Whitehill (U.K.) and current chairman and director of the European Regional Organization (ERO); Wael Abou Chakra, managing partner of Horwath Abou Chakra & Co. (Beirut, Lebanon) and chairman of the Middle East Horwath International Group (MEHIG); Eliberto Graciá, retired director of the Asia Pacific Regional Organization (APRO) and Horwath Latin America and Caribbean (HORLAC); Joe Chang, CEO of HW Horwath Group Ltd. of Taiwan, who is responsible for opening the door to China for Horwath International; Eugene Lott, retired managing general partner of Horwath & Horwath; Stanley Klosinski, retired general partner of Horwath & Horwath; John Lesure, retired general partner of Horwath & Horwath and university lecturer on hotel accounting and consulting; Juan Seif, retired president of Horwath & Horwath International; Robert Leone and Bernard Morgan, retired partners of Horwath & Horwath and Laventhol & Horwath; and Julian Jacoby, international accounting & assurance services director of Horwath International.

I also reviewed minutes of executive committee meetings, council meetings, and some regional meetings. Horwath publications, including the *Horwath Accountant* and *Connections*, also provided valuable source material.

To provide readers with the flavor of the times to which the book refers, I researched the relevant social, cultural, economic, and political highlights along with the evolution of the accounting profession through the years.

Despite the fact that I worked with Horwath International for nearly three decades, I learned so much that I never knew while conducting this research. As I wrote, I increasingly felt privileged to be a part of this organization – and to have been able assist in some small way with its growth and success.

The process of writing recalled many of my own memories of Horwath's “caring, sharing, investing, and growing” and also uncovered stories of others' experiences. Those who are not part of the Horwath network are often skeptical as to whether a professional business organization can have real family spirit, but here are some examples.

Jay Mangel of Horwath & Company of California LLP in Los Angeles was attending the Asia Pacific Regional Organization meeting in Shanghai in May 2001 when he suffered a heart attack. Here's what he had to say about his experience.

“An unexpected illness is bad enough at home with family, friends, and doctors close at hand, but when it happens 12,000 miles away in a country whose language you do not understand, it is extremely frightening. This recently happened to me at the APRO (Asia Pacific Regional Organization) meeting in Shanghai. On the second day of the conference, I suffered extreme pain and knew something was very wrong. My wife took me immediately to the Hua Dong Hospital where I received state-of-the-art treatment that saved my life. I had suffered a heart attack.

“The Horwath family, led by Mr. Dai and Mr. Zhu of the Shanghai office, rallied around my wife and me in our hour of need. They arranged to have members of their own office staff – Scott, Linda, and Sally – act as interpreters for Kathi and myself. This was invaluable in those first few days when we didn't know what was happening. Joan Jackson and Ru Hayes from New Zealand sat with Kathi so she wouldn't be alone while I was having all the initial medical tests.

“When the Shanghai doctors felt I could be safely moved, Steve Sasaki of Horwath Sakura & Company and Mr. Chio of Chio Lim & Associates offered whatever assistance Kathi and I would need if I should be moved to either Tokyo or Singapore. When the doctors determined that I should go to the Hong Kong Adventist Hospital, Alan Johnson (APRO chairman) and Clement Chan (APRO regional director) made sure everything was taken care of, including finding me a doctor and arranging for hotel accommodations for Kathi.

“My family and associates at home really appreciated Alan Johnson's daily e-mails updating everyone on my progress. This provided great comfort to everyone.

“I am certain I recovered faster and sooner because of all the wonderful care and attention I received from my Horwath International family. You expect your immediate family to be there for you, but business associates – some of whom you have just met – don't have that same obligation. Yet everyone within the Horwath International network acted as if they were my family. It is very comforting to know that in this global arena in which we all live and travel, we have family all over the world through the Horwath International network.”

Another example of the value of Horwath's international relationships comes to mind when I think of one of my own clients. Working with this individual over a period of 30 years presented opportunities for me to work with a number of colleagues in HI member firms around the world – and to establish valued relationships for my client and myself.

This began in 1975 when I suggested to this client, a German citizen who was a resident of the U.K., that he form a holding company in that country for several businesses that he had launched there over the past few years. To assist, I introduced him to Stoy Hayward, Horwath's U.K. member firm at the time. This proved to be the beginning of a long and mutually valuable relationship. Then, in 1981, I suggested overseas expansion to this client. We travelled together to New York where I introduced him to Werner Rotach who provided helpful information and contacts.

Some months later, the client had an opportunity to buy a construction company north of San Francisco and required assistance with due diligence. Werner Rotach put us in touch with Don Pangburn of HI's Denver, Colorado office, whose valuable expertise and support contributed to the client's decision to purchase the company. Don subsequently assisted us with a range of financial matters for this organization.

Feeling comfortable with and cared for by my Horwath colleagues, my client encouraged me to utilize the HI network to assist with his business expansion. We formed another holding company for him in Amsterdam where the HI member firm there provided significant assistance. And, when he purchased a public company in Canada, HI's Toronto member firm also proved to be an invaluable ally.

These experiences are only my own – one person within the vast HI network where valued relationships are forged every day. There are many instances where large numbers of Horwath members team together to benefit clients, themselves and the HI family.

HI is a special team of special people. For the professionals of Horwath International, their exceptional work and commitment go far beyond pure business. They truly do care, share, and invest – thereby enabling Horwath International to grow. And hopefully, by acknowledging and recording their efforts, we will encourage others to carry on their impressive accomplishments.

It was also important for me to show through this story of Horwath International how feelings like caring and sharing contribute to business success. I believe that many of HI's most important accomplishments are a direct result – not only of acumen and professionalism – but also of the loyalty arising from fellowship and friendship.

Training, publications, professional exchanges, referrals, engagements – all of these come from sharing the best of each other with each other. This is a tradition that goes all the way back to the early 1900s.

And this is why I'd like to tell you the story of Horwath International. You will read how caring, sharing, investing, and growing have embodied our organization since its earliest days.

This book begins with Edmund and Ernest Horwath, tracing their legacy from the time they leave their home in Budapest in 1907. Unfortunately, I could not find any documents relating to their emigration. Neither Internet research of family history records, nor the immigrant records of Ellis Island, nor personal interviews yielded many clues. And so, to start our story, I researched the early 1900s in Hungary and the U.S.A. and the emigration patterns of the period. I then used my imagination to visualize the founders of Horwath & Horwath as they begin their life in the “land of opportunity.”

I hope you enjoy their journey.



**Fernando Seglias**

*May 2006*



## Chapter 1

# 1907 | Edmund and Ernest Horwath emigrate to the new world

*“And so, the journey begins..”*

### **Departing Budapest**

It's been a couple of minutes since the last coughs of the locomotive. The steam has evaporated, providing a better view into the Vienna *Südbahnhof*. The first six hours since leaving the Budapest Keleti railway station for the long journey into the unknown are already history, but the memory of the farewell is still vivid.

The brothers stow their suitcases away on the train and place the small package with gifts for Uncle János and Aunt Sissy in Vienna on their seats to make it clear to anyone who walks by that these seats are taken. Anyuci (Mum) holds back tears, standing bravely next to Father, who by contrast seems to have his emotions under control. The group around them – brother, sister, and friends – repeats good wishes and advice again and again to fill the time and to conceal their emotions until the train departs.

Edmund and Ernest – sad to leave family and friends but elated about this new adventure – also experience a wide range of emotions. The U.S.A. is the land of unlimited possibilities, offering so many more opportunities than Hungary for two young commercial clerk accountants.

Edmund is 23 and Ernest is one year younger. They dream of becoming successful businessmen. Their family and friends would be so proud of them! Then a cloud of sadness washes over them again when they wonder whether a return visit will ever be possible. Who knows what the future holds...will they ever see these loved ones again?

Edmund and Ernest board the train and sit down. Each is silent, lost in his own thoughts, until the bustling *Südbahnhof* appears before them. As they exit the train at the Vienna station, baggage handlers jostle for the attention of the first class passengers. As gentlemen with top hats, gloves, and walking sticks point toward towering rows of suitcases and hatboxes, the handlers respond with *“Danke, Herr Baron,”* hoping for a good tip by being quick and

friendly. Beautiful ladies in elegant dresses and elaborate hats follow the gentlemen leading the way out of the crowded station.

Edmund and Ernest are not looking for a baggage handler. Although they traveled third class and have the farthest to walk from the end of the train, they have only one bag each and are happy to handle their own luggage and save the precious cost of a tip.

Just as their arms begin to ache from the heavy bags, they hear, "Hallo, Edmund. Hallo, Ernest." They look up to see an arm waving above the heads of the crowd and they make their way toward Uncle János.

János is delighted to find the two nephews he has not seen for months. Proud and excited that they will be undertaking this adventure to the United States of America, he has asked a friend who owns a *Fiaker* (hackney carriage) for the special favor of picking up his nephews and their luggage at the station and delivering them to his home.

Uncle János is a civil servant; in fact, he is a senior office manager – a position that earns him the respect of his friends and neighbors. As the *Fiaker* pulls up to the house, several neighbors – some of whom are coincidentally outside sweeping their walkways while others are cleaning their windows – witness the impressive arrival of the Horwath nephews.

Inside, where Aunt Sissy welcomes them with a warm hug, Edmund and Ernest convey greetings from their parents, brother, sister, and many others familiar to Uncle János and Aunt Sissy. Uncle János (Mum's brother) and Aunt Sissy usually visit Budapest once a year for a couple of days. Aunt Sissy serves coffee and cookies and peppers the two visitors with questions about Budapest and mutual family members and friends.

In only two days, Edmund and Ernest will be departing Vienna for Bremen in northern Germany where they will board a ship traveling to New York. This is only their second visit to Vienna and so the family makes plans to show the brothers the best of the city.

The *Prater* amusement park with its *Riesenrad*, a giant Ferris wheel of 220 feet built 10 years previously in 1897, promises a breathtaking view of Vienna. They also plan to walk through the *Ringstrasse* (the magnificent boulevard that circles the city center) into the old town and see its famous shopping street, *Kärntnerstrasse*. They want to visit the Hofburg Palace and the Spanish Riding School, and, time and budget permitting, sip a coffee at the *Palais Ferstl*.

Uncle János cannot take time off from work but Aunt Sissy will guide the two young men and show them why Vienna is considered to be the most important urban center of the Austro-Hungarian monarchy. Of course, she assures them she knows that Budapest, the capital of the Hungarian Empire,

has never had such a glorious era as today's. While Budapest can boast about its intellectual life – Bartok and Gustav Mahler are teaching at the Academy of Music and the magnificent buildings of the Hungarian Art Nouveau are complete – the industrial revolution is also impacting Budapest.

The railway system, built in the 1850s, has played an important role in the development of the economy. All the main railway lines radiate out from the capital toward the Carpathian Basin, Vienna, the Adriatic, the Balkans, and northern Europe. When the industrial revolution started in 1870, the Council of Public Works created a master plan with ring roads, boulevards, a public transport network, and green spaces that now demonstrate the standards of the age.

In 1872, when Buda and Pest united to become Budapest, the city had 300,000 inhabitants. Between 1885 and 1900, the population tripled. Of the largest European cities, only Berlin records similar growth.

By 1907, Budapest has one million inhabitants and ranks as the eighth largest city in Europe. It is larger than Rome, Madrid or Milan. More than 40 percent of those employed work in industry. The city attracts the majority of newly founded banks, business associations, and industrial enterprises.

Budapest can also demonstrate that it deserves to be among the top cities from a technological perspective. In 1873, electric lighting was installed along the streets of the city. The first urban telephone exchange was installed in 1885. Two years later, trams made an appearance, followed the next year by the first suburban trains. By 1896, the post office was using battery-driven vans to deliver parcels.

Today, however, Edmund and Ernest will be exploring Vienna and its breathtaking palaces and museums, university, opera, and theatre. They will see why Vienna is so well regarded for Art Nouveau, music – and even psychoanalysis.

At the end of the day, Uncle János walks home a little faster than he typically does; he doesn't stop to chat or sip a glass of wine with friends. He's curious to find out how Edmund and Ernest spent the day and what they thought of Vienna.

Over a delicious traditional Hungarian supper prepared by Aunt Sissy to ensure that Edmund and Ernest “never forget the taste of home,” they talk about the highlights of their day and the brothers' plans. During dessert of *palacsinta* (a thin pancake) topped with chocolate, coffee, and a special treat of *Barazk* apricot liqueur, Uncle János asks the men, “You both had promising jobs in Budapest as clerk accountants and the city is developing

quickly. This will be providing more opportunities in the near future. Why then leave for the unknown? Not everyone who emigrates to the U.S.A. becomes a millionaire."

"You are right, Uncle János," replies Edmund. "The development in Budapest has never been better. An article I read recently in the newspaper said that nearly 80 percent of children now attend school. There are middle schools, secondary schools, technical schools, high schools. There's even a high school specifically for law, the Polytechnic, as well as a number of colleges. There are also commercial schools, where we received our professional education, as well as training institutes, and several art schools for design, music, and painting. Budapest has a university, too."

Ernest continues, "All of these are available to everyone – at least in theory. But as you well know, the nobility predominates. The changes of the last 50 years or so have created a more complex society that includes magnates, lesser nobles, middle class, working class, and peasants. The upper class, however, still influences the economy and tries to protect its own interests. The huge 'bureaucratic machine' continues to grow larger. The government favors low wages to keep Hungarian products competitive on foreign markets and to prevent impoverished peasants from flocking to the city to find work.

"Since we do not belong to the upper class, our chances in Hungary are limited. We are too young to wait until the system has changed and presents more opportunities. We know several people who emigrated to the U.S.A. and achieved success that we could never expect to reach within our lifetime in Budapest. Uncle János, they write about the opportunities in the United States, they write about their jobs and their houses and their wages. Their wages are about four times higher than ours!" exclaims Edmund.

"Well," says Uncle János, "we know you both gave serious thought to this decision. Aunt Sissy and I wish you a safe journey to New York and all the best for the future.

"By the way," he adds, "why did you decide to depart from Bremen and not from Fiume? My understanding is that sailing from Fiume would be less expensive."

Edmund explains, "We have heard that the Cunard Steamship Company, the only shipping line offering service between Fiume and New York, does not have a favorable reputation in the United States of America because it supposedly transports 'less desirable immigrants' from southern and eastern Europe. The fare from Bremen is a bit more expensive but we think it is worthwhile to reduce the risk of problems when we arrive."

He continues, "These days, about the same number of emigrants depart from Bremen as from Fiume. The Missler Agency, which has been

established for a long time and has a good reputation, arranged for all of the necessary papers and documents. We have our tickets for the train as well as for a reserved cabin on the ship. We worked very hard and saved as much as we could. Thanks to extra support from Mum and Dad we were able to buy a second-class ticket.”

“Do you know what to expect when you reach America?” asks Uncle János.

“According to the information we received from the Missler Agency,” Ernest says, “when the ship reaches the mouth of the Hudson River, U.S. immigration officials will board the ship at the quarantine station to inspect and clear passengers from first and second class. That’s why we decided to spend the extra money and purchase a second-class ticket. Those from steerage will have to disembark on the piers and wait for a ferry to transport them to Ellis Island. We have heard that on busy days passengers may have to wait hours for a ferry and then hours more waiting in line for inspection.

“So we are very thankful to Mum and Dad for helping us purchase tickets for second class!” exclaims Edmund. “In fact, we are very thankful to everyone who supported us and we will not disappoint them.”

“Since the passage will be about a fortnight, you’ll be glad to be traveling second class,” Uncle János says. “Fortunately, this time of year promises good weather so the sea should be calm. Anyway, these big ships today don’t roll as much as the older, smaller ones did.

“It’s been wonderful having you here for a visit. Seeing how well prepared and determined you both are, I’m confident that you will be successful with your new lives. Don’t forget to send us a letter when you get settled. Let us know how the trip went and how you like your new country!” says Uncle János with a pat on the back for both Edmund and Ernest.

The brothers kiss Aunt Sissy good night and everyone heads to bed early. Edmund and Ernest have to be up before dawn to catch the train to Bremen.

Early the next morning, after a fitful night’s sleep due to their excitement about the trip ahead of them, Edmund and Ernest have a quick breakfast with Aunt Sissy and Uncle János.

They savor the last drop of Viennese coffee. Who knows how long it will be before they have a chance to again enjoy their favorite beverage?

Aunt Sissy gives the brothers *pogácsa* (buns), and *kenyér* (breads), and *kolbász* (sausage) to stow in their hand luggage. They lock their suitcases and wrap them securely with string so they won’t come apart during the long journey.

Uncle János has thoughtfully arranged for his friend with the *Fiaker* to transport Edmund and Ernest back to the train station. Aunt Sissy does not want to accompany them because she hates to see people leave. But she

stands in the doorway waving to the brothers until the *Fiaker* disappears around the corner.

Today, unlike during the two previous days, the group is quiet, each man lost in his own thoughts. The only sounds are the clop of the horse's hooves and the crunch of the iron wheels on the cobblestones.

When they reach the station, the scene is familiar: passengers, baggage handlers, and well-wishers mingling in noisy crowds. Now it is time for more goodbyes. "Thank you, Uncle János, for your generous hospitality and for your advice," offers Edmund. "We especially appreciate having the address of your friend who lives in New York. It will be very helpful to talk with someone who speaks the language well and who has been living in America for a couple of years."

Adds Ernest, "Again many thanks. Please give our best regards to Aunt Sissy."

Eager to find a good seat on the train, Edmund and Ernest head down the platform. Of course, their carriage is again close to the far end of the train and they have to drag their heavy bags along the platform. Fortunately, they are in good time and find two seats at the window.

They lean out and wave to Uncle János until the steam engine heats up, the train begins to move, and their uncle disappears behind a cloud of steam. They are on their way to America...

### **The American dream: arriving in New York**

After a short ride from the train station in Bremen to the harbor, Edmund and Ernest find more activity and confusion awaiting them. There are several ships in the harbor and a mass of people, horses, and carts as far as the eye can see.

Horse-drawn carts and some lorries make their way through the crowds, overflowing with people and suitcases; piles of crates and boxes grow on the piers. Engines fire, horses snort, people yell and gesture. Edmund and Ernest look up to see the immense hull of the ship that will take them to New York. High above, well-dressed first-class passengers lean over the railing, waving to friends and family below. For these passengers, the trip will be an exciting fortnight of gourmet meals, music and dancing, relaxing, reading, and socializing with interesting people in the salon or on the upper deck. While Edmund and Ernest's second-class tickets don't buy this experience, they are thankful not to be heading to the lower decks as steerage passengers.

In the steerage area are long, narrow compartments divided into separate dormitories for single men, single women, and families. These passengers sleep in metal-framed berths three bunks high. With little privacy and

insufficient sanitary facilities, the brothers have heard how as the trip progresses, the air in the dormitories becomes rank from the odor of spoiled food, sea-sickness, and unwashed bodies.

The brothers make their way to second class and their tiny room for four people. They are the first to arrive. They unpack and store their clothing under their bunks and fall into bed. Their long journey of more than a day and a night has exhausted them, and the train had not been as comfortable as they had hoped. While the train seats beside them had remained empty and they had been able to stretch out, they still didn't get much sleep. The train made numerous stops throughout the night and people walked back and forth, banging doors or opening and closing windows. The conductor also passed by regularly, announcing his comings and goings.

Crossing the Austrian and then the German border, Edmund and Ernest had experienced their first customs officers. Much checking of papers and tickets took place, and many questions were asked about their travel arrangements and destination. While their responses seemed to satisfy the officers, the brothers were stressed and exhausted by the time they reached Bremen.

Now, however, they have time for a nap. Without the other two passengers, it is silent in the cabin and they are soon fast asleep. Not even the noise of arriving passengers banging doors and shouting orders wakes them – until the horn announces the departure of the ship. “Quick, Edmund,” says Ernest. “Get up, we have to see this – who knows how long it will be until we see Europe again?”

The brothers rush out of the cabin to the deck to try catching a glimpse of the receding shoreline. Oddly, they don't feel elated to be leaving Europe for the “land of opportunity.” Rather, they feel somewhat melancholy about leaving their lives behind. Although they have been planning this trip for years, perhaps it is too soon to feel excited about traveling to New York since it will be two weeks before they see the new city.

The passage is uneventful. The sky stays blue and the sea calm. The brothers spend their days reading and practicing their English. The language they studied in school is quickly becoming their daily tongue.

Edmund and Ernest rise before dawn on the day of arrival. The ship is expected to sail into the Upper Bay at about six o'clock in the morning. The brothers quickly dress and head up to the decks. They can see the faint outline of the Statue of Liberty, haloed by the rising sun.

Behind them, the deck is rapidly filling with sleepy passengers who stop in awe at the sight. The statue towers higher than the buildings on adjacent Manhattan Island. While hundreds of people now fill the deck, they are

silent. Only the occasional soft “wow” muttered by a new arrival breaks the silence.

The emotion on the deck thickens. Joy blended with tension. The American dream is before them. But will it be theirs? The brothers still have to face the inspectors.

Edmund and Ernest breathe deep sighs of relief as they walk down the foot bridge to the pier. They still feel the serious eyes of the immigration officers upon their backs. Although their second-class tickets avoided the lengthy line-ups on Ellis Island, the officers have many questions and carefully review every one of their papers.

The brothers follow the stream of disembarking passengers and, just as they begin to feel anxious about ever finding their school friend and former neighbor from Budapest, they hear their names being called. Yes, it's Laszlo! He clasps each brother in a strong embrace and greets him with an enthusiastic “Welcome to the United States of America!”

Laszlo has been in New York for a year. He sent the brothers information about emigrating and what to expect in New York, and even invited them to stay in his room for a few days while they settle in to the city.

Edmund and Ernest stand perfectly still for several seconds. They are here. They are finally here.

It is Tuesday, July 9, 1907.

It is the beginning of Edmund and Ernest Horwath's new life. And it is the beginning of what will one day become Horwath International.

DEPARTMENT OF COMMERCE AND LABOR-BUREAU OF THE CENSUS  
 THIRTEENTH CENSUS OF THE UNITED STATES, 1910-POPULATION

State: New York County: New York Precinct: 21 Enumeration District: 1000 Block: 1000 House: 1000

NAME	SEX	AGE	DATE OF BIRTH	PLACE OF BIRTH	ETHNIC OR RACIAL ORIGIN	EDUCATION	INDUSTRY	STATUS	RELATIONSHIP	REMARKS
Ernest Horwath	Male	24	1907	Hungary	White	High School	Checker	Single	Head of Household	

Among the facts this 1910 census form reveals about Ernest Horwath is that he immigrated to the U.S. from Hungary in 1907, he can read and write, he's 24 and single and he works as a "checker" (auditor) in the hotel industry.

*Original*

**REGISTRATION CARD**

Serial Number: 461A INDEXED AS 20

Name: Edmund Joseph Horwath

Age: 48 Sex: Male Race: White

Place of Birth: Austria-Hungary

Date of Entry: May 17 1914

Profession: Public Accountant

Address: 105 W 40 St New York N.Y.

Signature: Edmund Horwath

**REGISTRAR'S REPORT**

DESCRIPTION OF REGISTRANT

SEX	AGE	EDUCATION	INDUSTRY	STATUS	RELATIONSHIP
<input checked="" type="checkbox"/> Male	<input checked="" type="checkbox"/> 40-50	<input checked="" type="checkbox"/> High School	<input checked="" type="checkbox"/> Public Accountant	<input checked="" type="checkbox"/> Single	<input checked="" type="checkbox"/> Head of Household

Signature: P. R. R. Fine

Date of Registration: SEP 12 1913

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 Public Library  
 515 West 125th Street  
 NEW YORK, N. Y. 10027

A U.S.A. re-entry registration card for Edmund Horwath, dated September 12, 1913, suggests that he returned home to Hungary for a visit six years after his 1907 emigration, where his family and friends likely hailed him as an American success story. On this card, Edmund listed his profession as "public accountant" and his title as "senior partner with brother."



## Chapter 2

# 1907-1945 | The Founding of Horwath & Horwath

*“On our arrival, my brother and I found that the fabulous economic wealth of this country was in a stage of rapid development, which was only momentarily interrupted by the 'panic' in the fall of the year. Railroad, shipping, mining, manufacturing, merchandising and agriculture were beginning to show unprecedented growth.*

*For quite a while, hotels were immune to that transformation for the simple reason that investment in hotels was relatively untried, and the leading figures were not sure of the rate on return, considering the field to be more or less a gamble and a hobby for rich men.”*

*Ernest Horwath, 1930*

### **Developing valuable expertise in the hospitality sector**

Gasoline-fuelled taxis arrive in New York City in 1907. John Hertz founds the Yellow Cab Company and paints his taxis yellow after reading a study that proclaimed yellow to be the most conspicuous color. The Colony Club opens its doors to women. On October 1, the magnificent 800-room Plaza Hotel opens at Fifth Avenue and Central Park South.

Later that month, J.P. Morgan spares the New York Stock Exchange from disaster with a loan of \$30 million. The “fabulous economic wealth” the Horwath brothers see upon their arrival is quickly tempered by the panic of 1907. In March, the stock market crashes and continues to erode over the next six months. In October, New York City's Knickerbockers Trust and the Westinghouse Electric Company fail.

Despite the dire economic conditions, Edmund and Ernest find employment utilizing their experience and skills. Most immigrants arriving in America from non-English-speaking countries find employment in restaurants and hotels where language is not as much of an obstacle as it is in other types of businesses.

While the Horwath brothers have better English language skills and more education than most of these laborers, given the deteriorating economic conditions in New York City, they too look to the hospitality sector for employment. Both find work quickly.

Edmund secures a position as a controller and Ernest as a food cost accountant at the Café de Paris restaurant. They immediately find ways to deliver value to their employer. Coming from a country with a much lower standard of living, they are struck by the volume of food waste and lack of controls over food costs. Ernest is “impressed by the shocking wastefulness in their kitchens. While there was an attempt to control cash receipts and disbursements in these early days, only the most feeble controls, or what were really not controls at all, were maintained over food, which, after all, represented cash.” The brothers see an opportunity to develop a system of controls.

Edmund and Ernest begin experimenting and soon develop their own daily and monthly reports of food costs. They follow this with a complete food cost control and record keeping system that also delivers informative reports to management. The new system is revolutionary: operating results for Café de Paris improve dramatically within a short time.

The brothers recognize that their food cost accounting system could be applied to many different food operations. They leave Café de Paris in 1910 to start their own businesses.

Edmund focuses exclusively on food control while Ernest also performs audits and prepares monthly food cost accounting reports. While they have separate businesses, they also work together for a number of clients. They perfect their food cost accounting system for the Hamilton Club in Brooklyn. Within five years, the Horwath brothers have acquired seven food cost clients and several small audit engagements.

Their American dream is starting to come true. In September 1913, Edmund returns to Europe, where his family and friends likely hail him as an American success story. On his U.S. re-entry registration card, Edmund lists his profession as “public accountant” and his title as “senior partner with brother.”

As local restaurants, hotels, and clubs increasingly adopt Edmund and Ernest's food cost accounting system, the brothers decide to formally join forces. On July 31, 1915 they consolidate their practices, hire their first employee (a stenographer), and open Horwath & Horwath in a small back room on the third floor of 1416 Broadway.

### **Increasing awareness and expanding**

Edmund and Ernest begin to gain recognition throughout the hospitality sector. Lucius Boomer, the manager of the Waldorf Hotel, takes an interest in the firm and encourages and assists the brothers.

Other accounting firms become aware of Horwath & Horwath's expertise and start to hire the firm to assist with their own accounting engagements for their hotel clients.

Toward the end of 1914, the first year of World War I, the U.S. War Department engages Horwath & Horwath to assist in organizing the commissary, kitchen, and feeding facilities for the officers' training camp at Plattsburg, New York. This is the brothers' first big step in expanding their practice.

They soon need assistance. So far, they only have two employees: a stenographer and assistant R.T. DeWys. Paul Simon, also a food cost accountant, joins the firm in February 1918. Auditor and accountant Louis Toth comes aboard in June of the same year.

Simon and Toth contribute significantly to developing the technical and professional skills in the young firm that help Horwath & Horwath achieve recognition and form the foundation for its continuing growth.

Only five years after the founding of Horwath & Horwath, other important staff additions follow. A.C. Romine leaves his position as manager of a branch office of the Edison Electric Light Company in February 1920 to become office manager for Horwath & Horwath.

John Horwath, a younger brother of Edmund and Ernest, arrives in New York from Budapest on November 20, 1920 and brings banking experience to the firm.

Clarence Conner joins Horwath & Horwath in August 1922, contributing sales and general business knowledge gained from working with the Whitney Duplicating Check Company and as president of the Universal Checking Systems Company. Clarence is an expert in hotel front office procedures and controls, and he soon establishes valuable business relationships with several leading hoteliers.

The stream of immigration into the U. S. continues after World War I. Many immigrants had been trained in the European foodservice and hotel sectors and bring this knowledge to the United States. They also bring a variety of European languages with them. These skills facilitate cooperation among the European chefs and hotel management personnel who play a prominent role in the development of the U.S. hotel industry.

As the hospitality industry grows, so does Horwath & Horwath. By the end of the war in 1918, the firm has 25 food cost accounting assignments. Arnold Jorgensen joins the firm as a manager and starts a branch office in

Washington, DC. Demand for services continues and a year later, the firm opens an office in Philadelphia, headed by Paul Simon and Louis Toth.

Horwath & Horwath continues the progressive approach of opening offices where demand warrants. In 1920, the firm opens its third office in Baltimore.

The following year, the New York office is designated as headquarters of Horwath & Horwath. Paul Simon and Louis Toth move back here and, along with A.C. Romine and John Horwath, become the firm's executive staff.

On November 1, 1923 Horwath & Horwath opens an office in Chicago, managed by Paul Simon. It soon becomes the firm's most important branch office and its western headquarters.

Nineteen twenty-four marks a major change in the firm's governance. Until this time, only Edmund and Ernest had been partners of Horwath & Horwath. Now, Paul Simon, Louis Toth, A.C. Romine, and John Horwath all join the founders as partners of the firm.

It will be 12 years before the firm admits more partners. Meanwhile, under the guidance of Horwath's two founding and four new partners, the expansion continues. Two years later, the firm opens offices in Cleveland and Detroit. The following year, in 1927, it is Los Angeles, followed by Dallas in 1929 and San Francisco in 1930.

For a 15-year period, Horwath & Horwath keeps up the rapid expansion pace. How do they accomplish this?

First of all, they have an advanced personnel policy. While industry employees are usually hired on a seasonal basis, Horwath & Horwath employs mostly permanent staff. And, while year-end bonuses are not common in the business world, in 1919 the firm introduces bonuses as well as a profit-sharing program for department and branch managers. Life insurance is another rare benefit in that era, yet the firm provides all employees with group life insurance in December 1920.

Horwath & Horwath also believes that education and training are as important as business development. During 1921, 35 staff members attend 30 accounting lectures held at the New York office.

Horwath & Horwath may not have a sophisticated strategic plan, but the firm manages to develop, refine and implement an advanced cost control system, and to recruit, train, and reward the best staff it can find to perform the work.

The firm is also talented at generating awareness of its cost accounting system and its services. Horwath & Horwath professionals become featured speakers at business and trade meetings. The firm starts to produce a number of publications that garner attention from prospective clients and decision-makers it needs to reach.

### **A series of publication “firsts” brings recognition and respect**

As Horwath & Horwath continues acquiring clients and expertise in the foodservice and lodging sectors, the partners recognize that they can leverage this knowledge to build the firm's reputation.

They write articles and prepare general studies and statistics, conduct surveys of hotel and restaurant properties, and speak at business and trade events. These articles, reports, publications, and speeches attract the interest of more and more professionals and business people in the industry of housing and feeding others – whether investors, lenders, or operators. In fact, numerous government departments look to the firm for statistics and practices that they adopt for use across the country.

Horwath & Horwath increasingly utilizes these practice development tools to establish its presence and position across the U.S. The firm absorbs all costs of research, preparation, travel, and delivery. This leads to a rewarding return on its investment in awareness and reputation – and generates new clients.

#### ***The Alarm Clock* showcases Horwath & Horwath's expertise**

The first issue of *The Alarm Clock* is launched in May 1921. With A.C. Romine serving as editor, the monthly bulletin provides information about new developments within the firm and carries many of the articles and study highlights prepared by the firm's professionals. Staff, clients, friends, and business associates receive the bulletin every month.

The publication finds an interested audience and eight years later, *The Alarm Clock* becomes *The Horwath Hotel Accountant* as content is expanded and distribution extended to lending institutions and leading business people. Client profiles focus on emerging players in the foodservice and lodging sectors. The publication features statistical studies, attracting a wide audience of interested readers, including clubs, restaurants, and motor hotels. Readers extend farther and farther afield. The mailing list acquires contacts as far away as the Caribbean and South America, extending awareness of Horwath & Horwath overseas.

## **The *Food Market List* attracts a following for 45 years**

The popular *Food Market List* is the brainchild of A.C. Romine. The weekly publication includes prices paid for 75 selected commodities by participating hotels and restaurants, which are compared on a weekly basis and distributed to participants.

The hugely popular “List” would continue to be published for 45 years, until changes in food purchasing procedures and grading systems would finally make it impractical to compare prices.

## ***Uniform Systems of Accounts* is based on Horwath & Horwath concepts**

In 1926, Ernest Horwath and Louis Toth help a committee of hoteliers prepare the *Uniform System of Accounts for Hotels* to enable the sector to classify, organize, and present financial information in a uniform manner. Horwath & Horwath develops many of the early concepts used in the Uniform System. As the industry evolves, so does the System, and members of Horwath & Horwath continue to serve on revision committees.

In the early 1920s, Ernest Horwath develops hotel operating form “Exhibit B” for the *Uniform System of Accounts for Hotels*. This represents a major change in accounting philosophy. Prior to its development, overhead expenses had been allocated to relevant departments. Ernest believes that it is more appropriate to charge only direct costs to departments and to aggregate overhead costs under functional classifications so that significant variations can be detected. While its use in audited financial statements is eventually discontinued, Exhibit B would be used in internal hotel management reports into the next millennium.

With the success of the *Uniform System of Accounts for Hotels*, it is natural that the *Uniform System of Accounts and Bookkeeping System for Small Restaurants* follows. Partners A.C. Romine and Paul Simon develop the system four years later. In 1958, they revise and update it with the assistance of George Podd, and it becomes the *Uniform System of Accounts for Restaurants*. The System creates a common language for the industry and enables restaurant operators to compare results with industry norms. A version of the System would continue to be used by the accounting profession to the year 2005 – and likely beyond.

Under the direction of John Horwath, the Club Managers Association of America publishes the original *Uniform System of Accounts for Clubs* in 1934. For many years following, Horwath & Horwath would complement this by publishing annual statistical studies of country and city clubs.

## **Hotel industry uses *Expense and Payroll Dictionary* as key reference source**

Systems are Horwath & Horwath's business. The firm also identifies a need for uniform treatment of the purchase of commodities, supplies, and services, as well as the classification of wages for employees serving various functions in the foodservice and lodging sectors. To ensure these items are classified on a consistent basis, the firm devises and publishes *The Expense and Payroll Dictionary*. The dictionary would remain in use until 1961, when the firm would permit the American Hotel Association to publish the document in conjunction with the *Uniform System of Accounts for Hotels*.

## **U.S. Bureau of Economic Research adopts *Trend of Business in the Lodging Industry***

In 1927, Horwath & Horwath launches the *Trend of Business in the Lodging Industry*, which includes monthly sales and occupancy statistics. The following year, the Bureau of Economic Research of the U.S. Department of Commerce begins to include the data compiled by the firm in its *Survey of Current Business*. *Trend of Business in the Lodging Industry* would continue to be published for decades under various names and in various forms.

## ***Hotel Accounting* becomes university textbook**

In 1928, the Ronald Press Company publishes the book *Hotel Accounting*, by Ernest Horwath and Louis Toth. The firm takes great pride in sharing its research and experience in hotel operations and accounting with the organizations devoted to training personnel for the lodging and foodservice industries.

Acknowledged to be the major authoritative work on the subject, *Hotel Accounting* is used for decades as a textbook at Cornell University and other U.S. colleges and universities with hotel accounting and management programs. John Lesure revises and co-authors later editions in 1963, 1965, and 1977.

In keeping with the firm's focus on education, Horwath & Horwath uses the royalty income from this publication to support scholarships and other contributions to educational institutions.

## **American Hotel & Motel Association commissions survey**

During the 1920s, the American Hotel & Motel Association wishes to measure the impact of hotel business on the economic life of the United States. The Association commissions Horwath & Horwath to develop a survey that establishes the hotel sector as the ninth largest industry in the U.S.

*Where the Visitor's Dollar Goes* follows. This exhaustive study measures the impact of activity by tourist and convention bureaus on the general economic life of the community. One of the more controversial conclusions is that hotels are not the primary beneficiaries of these efforts.

## **Taxpayer guide includes depreciation study for hotels**

Under the supervision of Paul Simon, Horwath & Horwath writes the first depreciation study for hotels in 1928. It is updated four years later when the U.S. Treasury Department approves the depreciation rates included in the study and includes them in its "Bulletin F" guide for taxpayers.

## **U.S. Lodging Industry study begins 70-year tradition**

For several years, Horwath & Horwath contributes data to the first studies of U.S. hotel operations published by Cornell University. When Cornell discontinues this study in 1932, the firm develops its own. Horwath & Horwath's *U.S. Lodging Industry* becomes a fixture in the sector.

As "motor hotels" or "motels" proliferate throughout the U.S. after World War II, Horwath & Horwath tracks the trend and Eugene Lott assumes responsibility for researching this emerging form of lodging. In 1956, the firm produces the first *Study of Motel Operations*. This would later be called the *The Motel Hotel Study*.

The publication becomes a significant practice development tool, helping to increase recognition of the firm's industry expertise at a time when demand for feasibility and market studies is starting to expand.

As travellers increasingly expect uniform standards of accommodation, independent hotels give way to chain operations and the "motor hotel" differentiation recedes. H&H eventually merges the *Motel Hotel Study* into *U.S. Lodging Industry*. This publication would become one of the most important for Horwath & Horwath, and eventually, also for Horwath International, celebrating its 50<sup>th</sup> anniversary in 1982. As the hotel sector would become increasingly global, other Horwath members would publish

similar studies in their own countries. By 2005, Horwath *Hotel Studies* would be produced in more than 25 countries worldwide.

### **As Prohibition ends, Horwath & Horwath introduces beverage cost accounting system**

Horwath & Horwath always seems to be on the leading edge of trends. Just as Prohibition comes to an end in 1933, the firm is ready with a beverage cost accounting system for restaurants, clubs, and hotels.

Two years later, the firm adds the widely accepted “cost per drink chart.” The system is simplified the following year, becoming a widely used beverage control system. In 1977 the system would be revised yet again to accommodate metric bottle sizes.

### **U.S. Internal Revenue Service adopts withholding tax tables**

The introduction of the U.S. federal withholding tax in 1943 prompts Louis Toth to develop a set of tables to help clients properly calculate the tax. He conceives the idea of translating the annual exemption for dependents into monthly, semi-monthly, weekly, and periodic allowances so that withholding may be based on a table rather than complex calculations. These tables are later adopted by the Internal Revenue Service to develop and publish the official withholding tables.

Horwath's prolific development of publications continues for decades. Other notable publications include *Planning and Operating Hotels Manual*, which details all of the steps involved in establishing a hotel, from selecting a site, to planning the facilities, working with an architect, securing financing, furnishing the facility, and managing the property. Others include *Restaurant Industry*; *Life Care Industry*; *Financial Results and Reporting Trends in the Gaming Industry*; *The Executive Conference Center: A Statistical and Financial Profile* – and many more.

The development and distribution of these articles and publications positions Horwath & Horwath as the leading U.S. expert in foodservice and hospitality accounting.

### **Internal training migrates externally**

While employee training has been a priority of Horwath & Horwath since its earliest days, the firm recognizes a growing need for training of internal accounting staff within the hotels and restaurants across the U.S. It makes

sense to support the universities offering specialized foodservice and lodging courses.

On September 18, 1924 Paul Simon delivers his first lecture on hotel accounting at De Paul University in Chicago. This tradition would continue for years.

Only a few days later, on September 29, 1924 Louis Toth delivers his first lecture on hotel accounting at Cornell University in Ithaca, New York. Toth becomes a part-time instructor and later a professor at Cornell until his retirement in 1958. Partner John Lesure would then assume responsibility for teaching these advanced courses in hotel accounting at Cornell for more than a decade.

These lecture appointments represent important recognition of Horwath & Horwath's accounting systems by leading universities. They also demonstrate the importance that Horwath & Horwath places on sharing knowledge both internally and externally. This philosophy would continue to be an integral part of the organization's character.

## **The Depression impacts Horwath & Horwath**

Around the turn of the century, the second industrial revolution propels the modernization of American industry. Electricity and advanced machinery make factories vastly more efficient from the steam power period of the 1800s.

The growing availability of consumer goods shifts the U.S. economy away from heavy industry and toward the production of consumer goods. Henry Ford contributes to this development through his assembly-line approach to production, transforming the automobile from a luxury product into an everyday commodity. With a price of about \$250, many working-class families can afford a Model T Ford by the mid-1920s. In turn, cars fuel demand for oil, new roads, service stations, and related products.

Henry Ford's assembly-line production methods also enable factories to produce large quantities of new products such as telephones, refrigerators, washing machines, radios, and cars. In fact, cars become the symbol of the "new America."

In 1909, Wilbur Wright becomes the first person to fly over New York City harbor. Servicing New York and Washington DC, the first regular airmail route in the U.S. is established in 1918. The U.S. mail service subsidizes several passenger airline companies that allow wealthy citizens to travel across the country within hours, rather than days or weeks.

In 1927, Charles Lindbergh completes the first solo flight across the Atlantic Ocean. In his single-engine *Spirit of St. Louis*, he flies from New York to Paris. He thus makes history and provides the aviation industry with an enormous boost in power.

New architectural techniques allow builders to construct taller buildings. New York City's Woolworth Building, the highest building in the world at 242 meters, is completed in 1913. For a brief period in 1931, the Chrysler Building, at 319 meters, becomes the tallest building – a record topped by the 381-meter Empire State Building just a few months later.

The Hollywood motion picture industry shines in the 1920s as the first “talkies” replace silent movies. Glamorous actors and actresses enjoy the status of royalty. F. Scott Fitzgerald gains fame with *This Side of Paradise*, followed five years later by *The Great Gatsby*. Ernest Hemingway publishes the antiwar novels, *The Sun Also Rises* and *A Farewell to Arms*.

The recession at the end of World War I is replaced by an unprecedented period of financial growth known as the Roaring Twenties. This is an exciting time of social change and economic prosperity: the stock market soars to unimaginable heights; new inventions and machinery change American society.

Until Black Tuesday in October 1929.

U.S. President Herbert Hoover's promise that the crash would be brief does not come true. The effect of the Depression is felt around the world, leading to economic stagnation and widespread unemployment in virtually every industrialized nation.

Hoover is voted out of office in 1932 and Democrat Franklin Delano Roosevelt (a distant cousin of previous president Theodore Roosevelt) is elected president on the platform of a “New Deal” for the American people. The New Deal introduces a range of social and economic reforms and Roosevelt enacts a number of laws to help the economy recover. He declares a bank holiday on March 5, 1933 that allows banks to reopen the following week on more stable footing.

Congress enacts a series of reforms, including the *Securities Act* of 1933 and the *Securities Exchange Act* of 1934, which create the Securities and Exchange Commission (SEC). The Act also requires corporations that sell stock to the public to register with the SEC. As well, it requires public companies to have an annual independent audit of their financial statements.

Roosevelt scales back deficit spending in 1937, believing the Depression is over and recovery is underway. In reality, the Depression is far from being over. It is only when the U.S. joins World War II that the battered economy begins to recover.

How does the Depression impact Horwath & Horwath? Profoundly.

The expansion of the foodservice and lodging sectors comes to an abrupt halt. There is virtually no new hotel construction. Properties financed with the gold bonds of the 1920s are unable to meet their obligations and go into bankruptcy.

Horwath & Horwath manages to survive by working for bondholder committees, which assist with complex bankruptcies and restructurings. The firm conducts operating efficiency studies, promotes the sale of hotel and restaurant properties, leases and sells defunct establishments, and reports to the committees on the operation of bankrupt properties.

Despite the tough times, however, Horwath & Horwath manages a number of achievements. The firm expands its client base into the restaurant and club sectors and strengthens and expands its relationships with financial institutions.

Horwath & Horwath also sees inevitable internal changes. The Depression coincides with a shift to the firm's second generation. In 1936, Edmund Horwath resigns – 21 years after founding the firm – to go into the travel business. A.C. Romine retires. In 1937 Paul Simon dies.

But the partner complement of seven remains: now Clarence Connor, Ernest Horwath, John Horwath, Louis Toth, George Podd, James McNamara, and Arthur McKenzie.

As World War II begins, the travel demands of the military push hotel occupancies to unprecedented peaks and industries gear up.

From its modest roots in 1915, Horwath & Horwath has developed into a national firm recognized as the foremost specialist in the hospitality industry. It's ready for a new period of expansion domestically and internationally.



*Brothers Ernest Horwath (left) and Edmund Horwath  
founded Horwath & Horwath in 1915.*



## Chapter 3

# 1945-1960 | Practice Development, Expansion, Diversification

*“I am proud of our growth, but I want to say to you in all sincerity that I am much prouder of you men who have made that growth possible. Without cooperation, it would not have been possible to grow to our size. So, let me ask you to keep up the spirit of cooperation, which has made us the leading firm in hotel accounting. Think well and speak well of our clients, your associates and co-workers.”*

*Ernest Horwath, 1951  
Green Briar Hotel, New York*

### **Post-World War II optimism renews growth**

Following World War II and the Korean War, the western hemisphere experiences a time of great optimism. What has been destroyed in war must be rebuilt – as quickly as possible.

The U.S. assists in implementing reconstruction plans, including the well-known European recovery program, the Marshall Plan. From a technical perspective, the wars have a positive influence on engineering developments. New inventions, developed for war times, are adapted for the private sector. Two of these developments in particular assist in bringing countries closer together and growing the global economy: commercial aviation and communication systems – including transistor, radio, and television.

Companies, especially U.S. enterprises, begin expanding internationally by establishing foreign subsidiaries and buying foreign businesses. In the initial post-war period, many companies establish themselves in Europe, soon moving into other continents, particularly Asia, Africa, and South America.

American companies, especially those in the machinery, construction, pharmaceutical, and chemical industries typically offer generous salaries, plus on-the-job training and staff education programs. They become the employers of choice for a new generation of young Europeans entering the working world whose education and practical experience have been disrupted by the war. U.S. business culture gradually transfers to Europe and,

for all of the countries involved, local thinking takes on a new international dimension.

Working with customers from different countries presents a new business perspective: the need to address varying laws, languages, and cultures.

These developments clearly impact the accounting profession. By the early 1950s, large firms in the U.S. are faced with a major decision: stay national or go international. By retaining their national scope, they would reduce the risks associated with expansion into new territories, but risk losing clients that are staking out new territories overseas.

Those that follow their clients are on the crest of a wave of rapid international expansion of U.S.-based accounting firms.

Horwath & Horwath is primed for change. The period of stagnation during the Depression and World War II is at an end. The founders and first generation are retiring; the second generation begins to assume management roles; and a third generation enters the firm.

Expansion again gears up – both domestically and internationally. The firm moves into new business areas such as healthcare and starts to invest in new technologies. To prepare for this new period of growth, the partners experiment with a new organization structure. They introduce the positions of managing partner, executive committee, regional managing partner, functionally departmentalized operations, industry specialists, and non-proprietary partner classifications.

Horwath & Horwath is growing up.

## **Preparing for international expansion**

Resort hotels proliferate following World War II and in 1947, Horwath & Horwath opens an office in Miami to accommodate the resort building boom. This is one of two particularly significant events at the time.

The other is the formation of a Florida partnership separate from the rest of Horwath & Horwath. This separate partnership is the solution to new accounting legislation introduced by the state of Florida that allows only accountants registered in Florida to perform work there. Fortunately, partners Ernest Horwath, John Horwath, Louis Toth, and Ivan de Naray all have licences to practice public accounting in Florida.

These events precipitate Horwath's expansion into the Caribbean and South America. Miami becomes a regional office, serving as a strategic locale for the firm's imminent international expansion.

## **George Podd becomes first managing partner**

When Ernest Horwath retires as the head of Horwath & Horwath in 1953, his long-time business colleague, George Podd, is elected as the firm's first managing partner. Podd had become a partner of Horwath & Horwath in 1937 and then served as co-managing partner with John Horwath of the firm's Chicago office.

In this role, Podd presides over a new governing structure for the firm. His responsibilities include chairing the executive committee, coordinating activities of the regional managing partners, monitoring the firm's financial affairs, and reviewing and supervising practice development and public relations nationally.

Fortunately, George Podd's personality and interests are well suited to this multi-faceted role. Along with leading the firm into a new era, Podd becomes Horwath & Horwath's spokesman, public speaker, author, and financial planner – as well as a trusted associate of national hotel leaders.

He introduces some novel practices to the firm. To attract young partners to Horwath & Horwath, for example, he discontinues the policy of requiring new partners to purchase goodwill from retiring partners. Thus the entry fee for new partners is reduced substantially and the firm requires only one initial cash payment. This affordable arrangement soon attracts new partners to the firm.

Podd continues the traditional focus on promoting the firm and developing new and improved techniques within the hospitality industry. In fact, nearly all partners and principals are delivering speeches, writing articles, investigating new areas for statistical studies, and training staff – all in addition to their professional engagements.

The firm continually looks for ways to raise its profile within its key markets. For example, by the 1950s credit cards begin playing a major role in retail sales. The American Hotel & Motel Association, following a plan outlined by George Podd and several hotel industry leaders, organizes the Universal Travel Card Corporation, which issues hotel credit cards. This is a novelty at a time that knows only department store and gas station credit cards.

Several years later, when other credit card companies begin to offer serious competition, the Association sells its credit card to the American Express Company, where it becomes part of the American Express credit card.

Coincidentally, while Podd is involved with the Universal Travel Card, John Lesure spends more than a year on a consulting engagement with American Express. The goal of the assignment: to develop the American Express credit card.

During Podd's tenure at Horwath & Horwath, he establishes regional offices in New York, Chicago, and Los Angeles. Regional managers enjoy considerable autonomy in managing their offices. They can accept new engagements, hire personnel, invoice and collect, establish professional standards, and conduct staff training.

Overall, Podd's goals are to expand the firm quickly and wisely. His achievements in this regard are summarized by Ernest Horwath in his 1951 welcome address to the partners' meeting at the Green Briar Hotel in New York: "Horwath & Horwath has expanded from the Atlantic to the Pacific coast, having so many more offices, partners, and executives that if a number of systematic, periodic visits were to be made yearly to each, practically the entire time of one partner would be required."

Podd's style works well for Horwath & Horwath. When he retires in 1963, the firm has 15 offices in the U.S. and another four in Latin America.

### **Professionalizing and diversifying**

The Depression taught Horwath & Horwath a valuable lesson: a single-industry focus is too risky. Dreams of diversification and expansion have existed for a long time. The firm has successfully expanded into new products, new publications, and new geographic areas. Practice diversification beyond the foodservice and lodging sectors, however, has not yet happened.

In the mid-1950s, George Podd and Fred Mino help to orchestrate Horwath's departmentalization. As the size and scope of clients' businesses grow, Horwath has to formalize its organizational structure. Loyd Pettegrew and Fred Mino departmentalize the key service areas – accounting, auditing, and tax – and designate leaders to head each area of practice: Maurice Burritt of Miami, Henry Espersen of Chicago, and Herbert Beach of Detroit. John Lesure and James McNamara assist with the supervision of these departments.

In 1960, consulting services follow this departmentalization trend and are formally organized under the division of "special services." Until this time, consulting had generally been the responsibility of the local partners-in-charge and most senior professionals were directly or indirectly involved in performing some forms of consulting, such as hotel accounting and

leisure studies. Five years later, the division is renamed “management advisory services” (MAS). Maurice Burritt, the first division chairman, dreams of having full-service MAS departments in all 15 Horwath & Horwath offices.

With the newly established departments creating a solid structure, the firm seeks opportunities for new practice areas. This leads to a series of mergers. In 1961, Horwath & Horwath merges with the practice of Robert Penn and Company and launches into the field of healthcare. Penn provides services related to all areas of hospital finances including auditing, systems installation, cost accounting, and management advisory services.

Founder Robert Penn had devised the Penn-Way accounting system for hospitals, and had served as a consultant to the National Institutes of Health, the Public Health Service and the Children's Bureau.

Two years later, the firm wades deeper into the healthcare sector when it merges with Curtis & Ross in Carbondale, Illinois and Whittle & Whittle in Seattle, Washington.

Additional mergers follow in quick succession. In January 1964, Horwath & Horwath strengthens its presence in Phoenix, Arizona by merging with Dostert & Foulds. The following year, Leroy Steinke of Kansas City, Missouri, who also specializes in hospital engagements, merges his practice with the firm. In 1965, Maxwell Campbell of Los Angeles comes aboard with his practice, as does Ross Shade of San Francisco in 1967.

These mergers further strengthen Horwath & Horwath's diversification and geographical expansion, transforming it from a specialized firm offering selected services to the foodservice and lodging sectors, to a diversified, full-service accounting firm.

In ensuing years, the firm moves into related fields, notably hospitals and educational institutions. It also expands implementation of food cost control systems into shipping, airline, and railroad companies.

### **From “business with a handshake” to a partnership agreement**

For more than four decades, the partners of Horwath & Horwath have been working together without any type of formal agreement from the firm's first days as a two-person practice. Through the upheavals of World Wars I and II, the Depression and post-Depression years – and through growth and changes in structure and management – the firm's partners and professionals have continued to work closely together, doing business on a handshake.

Now, however, the firm is poised to step into the global marketplace. To facilitate the transition into a diversified, international organization, an important, albeit unspectacular, step has to be taken. On January 1, 1959 the partners of Horwath & Horwath approve and sign the firm's first written partnership agreement.

This agreement establishes the need for an executive committee. Major policy decisions will now require the unanimous approval of general partners. Since partners' meetings from a practical perspective may only be held annually, the role of the committee will be to meet monthly and make all necessary policy decisions between the annual meetings.

The committee is chaired by the managing partner and comprises the regional managing partners and one or two other senior partners. Since the number of members is relatively small and they communicate frequently with Horwath & Horwath partners across the country, the committee can react rapidly and effectively in accordance with the wishes of all partners.

Horwath & Horwath is again moving forward.

### **Eugene Lott becomes first full-time managing partner**

In 1965, Eugene Lott succeeds co-managing partners Ivan de Naray and E.P. Lee as managing partner of Horwath & Horwath. Just before Lott's official nomination and election, Ernest Horwath, retired since 1954, writes to him: "As the years pass by, we are kept aware of the changes that confront us. Young men and new, fresh ideas demand to be given an opportunity to prove their growth. I am glad to know that you follow this reasoning.

"Keep the principle of recognizing ability as a foremost thought. Maintain sympathy, avoid disagreements, and never fail to show the highest respect for the family life of your associates. Be generous, be patient in your decisions." He signs this, "To Gene, admired by Ernest, his partner, 10/20/64."

The firm has high expectations of Lott. The executive committee has decided that, for the first time, this position will be a full-time responsibility. Lott assumes his new responsibilities by visiting all 16 offices throughout the U.S. and four in Latin America. He meets with staff members, reviews the client base, and assesses markets. Lott concludes that the first priority should be to strengthen financials and diversify the practice.

He doesn't waste any time. Within two years, seven new general partners are admitted to the firm, as are 14 regional partners, two general and two regional principals, and one regional South American associate.

While Lott also believes that Horwath & Horwath needs to orchestrate a major merger to build the firm's capabilities and to diversify even more,

he leads the firm to impressive growth. Fee volume increases, thanks in particular to the expansion of the healthcare practice and the management advisory services division. More and more local offices are also conducting consulting assignments and regional MAS staff has been appointed to handle larger assignments. As the firm capitalizes on its healthcare knowledge and prestige, this division begins to expand its activities from the Midwest to other offices.

With 20 offices in the U.S., Lott has put the right pieces and players into place for the next big step in Horwath & Horwath's development.



*George Podd became the first managing partner of Horwath & Horwath in 1953 and guided the growth of the firm to include 15 offices in the U.S. and another four in Latin America.*

*In 1965 Eugene Lott became the first full-time managing partner of Horwath & Horwath; later, he orchestrated a merger with Laventhol Krekstein Griffith & Co.*



## Chapter 4

# 1960-1965 | The Launch of Horwath & Horwath International Associates

### *WANTED:*

*Accountants with vision, self-confidence, and perseverance; who are warm and likeable and have a facility for bringing out such qualities in others; communicative and receptive to the latest and the best professional methods.*

*Horwath & Horwath's criteria for foreign member firms*

*Letter by Ivan de Naray*

*Published in The Horwath Accountant, 1964*

### **Global expansion of lodging industry leads overseas**

The Depression, followed by World War II, brought a rapid decline to the tourist trade in most countries. Many large hotels and resorts simply closed their doors.

The train becomes the main mode of transportation and travel agencies organize non-stop holiday train trips to popular destinations. Airplane travel also takes hold, supported by the arrival of charter flights. The hotel and tourism industry flourishes in much of Europe and other parts of the world, as do related industries such as construction, transportation, restaurants, furnishings, and many more.

As the tourism industry expands and diversifies into areas such as cultural tourism, wellness, spas, golfing, and special interests, the sector attracts the attention of more investors and businesses – including Horwath & Horwath.

Horwath & Horwath is well established by 1956 and is also well recognized for its expertise in the hotel, food, lodging, and tourism sectors. While the firm has 14 offices scattered throughout the United States, the partners realize they cannot retain the status quo. The firm must expand to meet the growth needs of existing clients as well as secure new clients.

Horwath & Horwath has opened an office in Caracas, Venezuela and now has support staff in Frankfurt and Athens to support several large hotel clients. The burgeoning tourist trade is heading for Europe, and the Marshall Plan (the U.S. foreign aid program established to rebuild Europe following World War II) supports development.

By 1960, it is evident that Horwath & Horwath will have to look to the global arena for growth. While existing overseas engagements represent a certain amount of international activity, the firm has no foreign client base. This means the firm's philosophy must undergo a fundamental shift.

At the 1960 Horwath & Horwath annual partners' meeting in Miami Beach, the partnership approves a new approach suggested by Ivan de Naray: to secure exclusive representation agreements with highly regarded national accounting firms in foreign countries. To launch this initiative, a special committee is formed with Ivan de Naray as chairman. The members are: Cyril Ward, the newly elected managing partner of Horwath & Horwath; Fred Mino, outgoing managing partner; Eugene Lott, partner-in-charge of the Kansas City office; and Juan Seif, head of Horwath & Horwath's first South American partnership, established in Caracas, Venezuela in 1956.

Another Hungarian émigré, Seif left the country as the Communist regime assumed power. He eventually settled in Caracas, where he established his own accounting firm. Both he and Horwath & Horwath want to expand their businesses and Seif recognizes the value of Horwath's training and systems.

With a facility for speaking numerous languages and extensive international experience, Seif would soon be called upon to advance the globalization of Horwath throughout Central and South America and the Caribbean.

The foundation has been laid to develop a global group of independent accounting and consulting firms.

### **Ivan de Naray guides the way**

Ivan de Naray had joined Horwath & Horwath in the late 1940s to manage the firm's newly opened office in Miami, Florida. Miami was a strategic center for servicing the firm's hotel clients – principally two large U.S. hotel chains with operations in the Caribbean and Latin America.

While these engagements represent international business activity, the firm lacks a multinational client base – the foundation used by other accounting firms to make the leap overseas.

Ivan de Naray has a different approach. A true entrepreneur, de Naray recognizes that Horwath & Horwath can use its specialized expertise to become an internationally recognized organization. His internationalization of Horwath & Horwath is a meticulously planned approach.

Where does de Naray's vision come from?

A Hungarian-born U.S. citizen, de Naray was educated in Budapest, Paris, and New York. He speaks several languages fluently and is a certified public accountant in various American states.

De Naray's personality, experience, and language abilities enable him to relate to different cultures and ways of thinking. He has a flair for developing worldwide relationships and the fortitude to fight for his convictions. His personal charm combined with innate ability, technical competence, and above all, tenacity, enable him to consistently achieve success.

From the Miami office, de Naray has worked with a number of clients in South America, Mexico, and the Caribbean. He sees tremendous potential for Horwath & Horwath in the hotel and leisure industry, not only in these locales, but also in Europe and the Middle East. His goal is to transfer Horwath's know-how to other accounting and consulting firms overseas to broaden the firm's client base.

Most American firms are expanding by following their international clients overseas. They establish offices in locales of their principal clients. These offices are staffed with their own U.S. management and professionals; local staff is typically employed only for professional and administrative support.

Horwath & Horwath cannot move overseas on the coattails of international clients; rather, the firm must develop a new clientele in these new locales.

Horwath & Horwath's important advantage is its reputation. All of the firm's work over the years to raise its profile and to establish a reputation for innovation and reliability is paying off. John Lesure, for example, has updated the book *Hotel Accounting* and revised editions are published in 1963 and 1965. Frequent articles by Horwath & Horwath about improving efficiency and profitability in the hospitality industry appear in influential publications. The firm publishes annual statistical studies of hotel operations. It has produced a uniform system of accounts and comparative operating norms for the U.S. hotel industry. Partners serve as lecturers and professors in hotel schools at U.S. universities that are teaching hotel administrators from around the world. All of these endeavors reinforce the reputation of Horwath & Horwath not only in the United States, but also in the growing international hospitality industry.

Obviously, foreign accounting and consulting firms have their own expertise and knowledge. But over a period of four decades, Horwath &

Horwath has developed a reputation for sophisticated, proven services, systems, and procedures of impressive value. De Naray intends to transfer this knowledge to firms overseas to enable them to generate new clients for themselves and for Horwath.

Accomplishing this goal poses a few challenges, not least of which is that all of the U.S. partners must back this venture with their own training, systems, and implementation support.

Fortunately, de Naray has a strong ally: Fred Mino, managing partner of Horwath & Horwath. Mino has been a partner of the firm since 1943 and over the years has worked with numerous international clients. In fact, before the Miami office opened in 1947, the partners in the New York office serviced clients in Latin America and the Caribbean. While many of them still believe that time and money would be better spent in the U.S. market, Mino and de Naray believe that Horwath & Horwath should tap into the global marketplace. Mino's convictions prove to be an important influence on the organization's next moves.

Another major challenge is finding the right foreign firms. The success of Horwath & Horwath owes as much to strong relationships among the partners as it does to professional ability. The international firms de Naray is seeking must therefore have more than the requisite professional qualifications.

De Naray is looking for colleagues who want to join not simply an association but a "family" – the Horwath & Horwath family. While these expectations are rather ambitious, they pose an additional challenge to finding the right family members. While accounting firms in Anglo-Saxon countries are structured in similar fashion to those in the U.S. (as partnerships in which the partners retain a long-term interest), those in other European countries are not.

These accounting and consulting firms are organized principally as one-, two-, or three-person joint stock companies or limited companies. Their main disadvantage is restricted professional capabilities and growth potential. Professionals working in such firms typically leave after a few years to launch their own practices because the firms offer little partnership potential.

Horwath must therefore invest time to not only nurture new international relationships, teach new methodologies, and implement new systems and procedures, but also find substantial firms capable of handling large hotel clients.

Nevertheless, de Naray believes this is possible. Horwath & Horwath has already established a number of successful foreign partnerships: in

Venezuela in 1956, Mexico in 1958, and in Colombia and Puerto Rico in 1959. While these relationships are modeled on somewhat different partnership arrangements, de Naray is confident that his model for international expansion can work – and will work well.

### **Launching Horwath & Horwath International Associates**

Creating U.S.-style accounting partnerships in foreign jurisdictions, however, is not a simple task. Local laws are often restrictive and, even where legislation allows, such partnerships need substantial manpower and financing. Horwath & Horwath has neither.

The firm therefore chooses to develop international business by forging relationships with local firms that would become part of the Horwath umbrella while remaining completely independent. On an exclusive basis, H&H will offer new member firms specialized training, expertise, and tools related to working on assignments for hotels, tourism, and hospitality. In return, new members will provide local expertise and access to new clients.

To finance this global structure, members will pay a nominal membership fee and a percentage of referred business. H&H anticipates that participating firms will eventually acquire their own local hotel, tourism, and hospitality clients and service them locally with their own trained professionals.

Now the plan is clear. At the Horwath & Horwath annual meeting in 1960, partners set it in motion by approving the establishment of an umbrella organization: Horwath & Horwath International Associates (HHIA). This shifts the U.S. partnership-style legal structure to a Bahamian-based legal structure that secures the independence of foreign firms that join the Horwath family. With a structure in place that is conducive to its ambitious expansion plans, Horwath & Horwath International Associates has a simple goal: to foster the development of international business and relationships through member firms.

### **Finding members, building the network**

For Ivan de Naray, the establishment of Horwath & Horwath International Associates is the beginning of a long journey in search of expanding the Horwath family.

Along with his continuing responsibilities in the Miami office, de Naray begins to spend half his time traveling, establishing new relationships, and selling the Horwath vision. Within only one year of the launch of HHIA, de

Naray makes 18 trips to the Caribbean and Central and South America. He usually travels with Juan Seif, who journeys from his base in Caracas to assist in opening doors for HHIA.

In the fall of 1961, de Naray undertakes a two-month trip to Europe and the Middle East. He establishes contacts in Austria, Egypt, England, France, Germany, Greece, Holland, Ireland, Israel, Italy, Lebanon, Portugal, Spain, Switzerland, and Turkey.

De Naray is looking for “partners of vision and self-confidence with a will and perseverance. They have to be warm and likable, with a facility for bringing out such qualities in others. Also necessary is a willingness to safeguard the good name of the farthest member of the group of international firms as they would their own. They have to be communicative and receptive to the latest and the best professional methods, even if this means changing their own practices.”

Relying on this profile, de Naray by the end of 1962 has secured 21 member firms in as many countries for Horwath & Horwath International Associates.

Four years after starting this journey, de Naray describes the results of the globalization efforts in the June 1964 issue of the firm's newsletter, *The Horwath Accountant*: “...our friends and associates in distant lands remind me of how various musical instruments create the final and majestic whole – the symphony orchestra. The offices, staffs, and types of specialized knowledge of our associated firms and of Horwath & Horwath... have already shown that by working together it is possible to combine the special timbre, tone, and quality of each to produce a sweep of harmony.

“Horwath & Horwath International, which was only a dream five years ago, is today a working reality encircling the globe. Our clients are expanding on a worldwide basis and we must be geared to serve them wherever they need our services.

“We have been fortunate in finding compatible, friendly and dedicated professionals, who understand our dreams and the need for preserving our mutual high standards and reputations.

“Although the mother tongues of our associates are diverse, we were again lucky in finding men who are familiar with our language. Beyond that, they are all highly qualified, with excellent reputations in their own countries, and our common language – accounting – brings us closely together.

“Some of the associated firms specialize in certain fields of accounting or have widely diversified practices which extend into many fields. As a result,

the steady flow of information among associates and domestic offices is of mutual benefit, enabling our firm to have the correct answer for almost any question connected with our work that might come up in almost any part of the world.

“We want to develop a close family-type feeling among our associates; we should all personally know them and they one another in order to further the friendship and esteem that members of a good organization should have for each other.

“The exchange of ideas broadens human horizons, and men suddenly discover that there are a number of effective ways of accomplishing many things, not just the one way with which they happen to be familiar. The greater the flow of information and exchange of ideas between peoples of the earth, the stronger will be international understanding, to the benefit of mankind.”

Little does de Naray know that his words will continue to hold true for the Horwath generations to come.

By the end of 1965, Horwath & Horwath has 18 offices in the United States. Horwath & Horwath International Associates already has 34 offices comprising 25 representative member firms in as many countries: Argentina, Australia, Bermuda, Canada, Colombia, France, Germany, Greece, Hong Kong, Ireland, Israel, Italy, Japan, Lebanon, Mexico, Netherlands, New Zealand, Peru, Philippines, Puerto Rico, Spain, Switzerland, United Kingdom, United States, Venezuela.

## **Anniversary celebrations**

1965 is a very special year.

On September 18, 1965 Horwath & Horwath hosts a gala dinner at the Continental Plaza Hotel in Chicago during the annual meeting to celebrate the firm's 50th anniversary. Retired partners Louis Toth, who had joined Horwath & Horwath in 1918 and John Horwath, who came on board in 1920, are present for the celebration.

Along with partners, executives, and other alumni of the U.S. firm and members of their families, 25 partners of Horwath & Horwath International Associates representing 17 countries also join the festivities. They too are celebrating – it has been five years since the launch of HHIA. The international association is holding its first independent meeting and electing its own executive council.

The expanding global network is already providing members with numerous benefits. New referrals. An expanding client base. Access to a broad range of technical knowledge and support. Professional development tools. The ability to offer clients additional services. Quality standards upheld by a respected organization. Access to the most timely and effective professional methods. And the prestige associated with the Horwath brand that attracts quality clients, partners, and staff to their firms. There are many reasons to celebrate tonight.

Edmund Horwath, now in his eighties, is unable to attend the dinner but sends warm wishes to the celebrants. Ernest Horwath will celebrate his 80<sup>th</sup> birthday in two months. He is delighted to attend an event that he could not have anticipated as a young man in his 20s, newly arrived in the U.S., starting a modest practice with his brother.

Former Horwath & Horwath managing partner Fred Mino, who has contributed to the successful growth of both the U.S. firm and the international network, says about the co-founder of Horwath & Horwath: "...a man who has given a lifetime to the hotel and allied industries. A man who put the value of integrity above all else. A man who always insisted that those who do the work and have the ability must share in the financial result. This was the basic idea that made it possible to build the firm of Horwath & Horwath to its present size. There is no finer heritage nor sounder foundation."

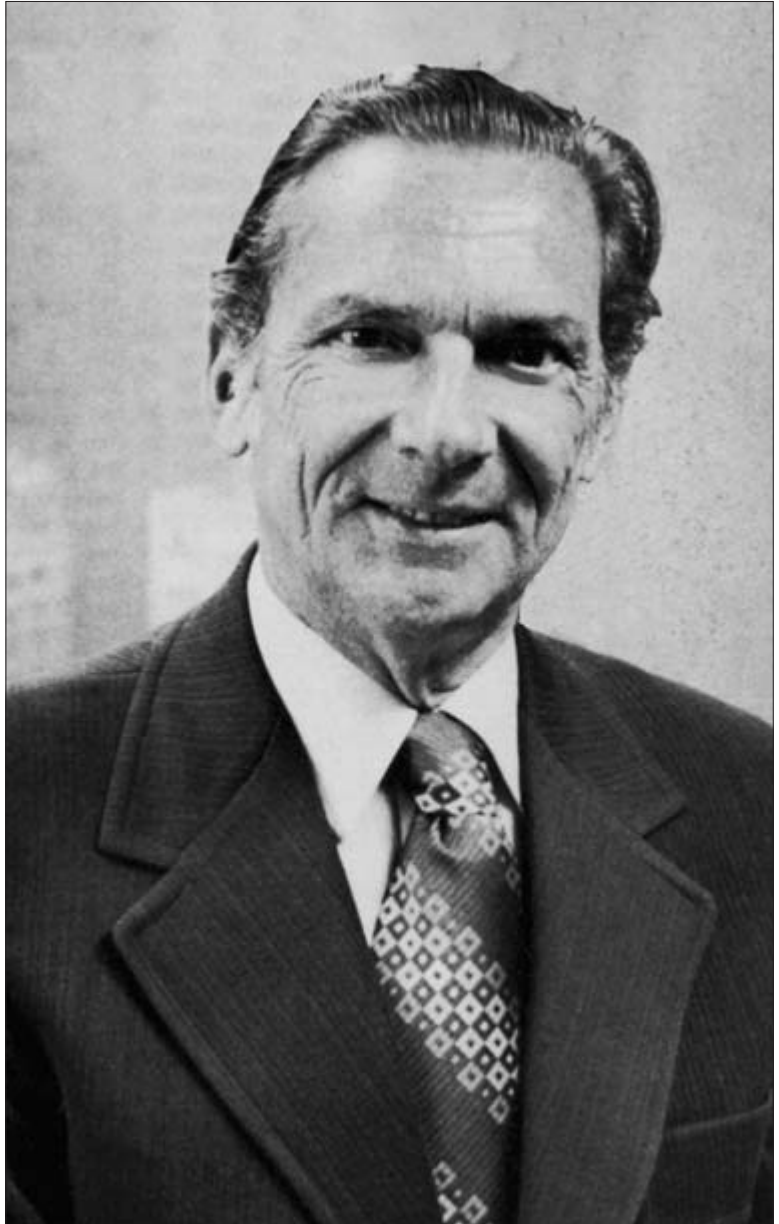
Ernest Horwath steps up to the podium. After the applause recedes, he passes along some words of advice to the gathering of 240: "If you honestly adhere to our principles as developed over the years and provide clients with services worth far in excess of what they are asked to pay, you will continue to receive their support."

The 50<sup>th</sup> anniversary celebration is indicative of another special characteristic of the expanding Horwath organization. As Ivan de Naray phrases it, this is "not just another organization. It is also a social one, and this makes it very special."

De Naray interprets what has made Horwath so successful throughout its evolution from a two-brother accounting practice into a well-known and respected national American accounting firm and then into an ambitious international organization. "HHI operates on the theory that it is particularly important in international matters to know the people you are dealing with in distant lands so that everyone can develop a better understanding of each other – not only in terms of building mutual trust and respect, but perhaps more significantly, in terms of understanding

the subtle differences in language, customs, and business practices between countries.

“The international organization is a family of firms. Its founder conceived it that way, and the personal relationship between the member firms became a hallmark of HHI. The dream and plan for this association always included a strengthening of individual relationships between peoples from different countries. Among many of HHI's accomplishments, and equally as significant as its administrative and technical achievements, is the feeling of belonging and the personal understanding that its members have with their peers throughout the world.”



*Recognized as the founder of Horwath & Horwath International Associates, Ivan de Naray became its first president in 1962. On the occasion of his retirement 12 years later, de Naray's Horwath colleagues elected him president emeritus in honor of his exceptional achievements for the association.*



*Horwath & Horwath celebrated the firm's 50th anniversary on September 18, 1965 at a gala dinner at the Continental Plaza Hotel in Chicago. Among the special guests were retired partners (from left) John Horwath, who had joined the firm in 1920, founder Ernest Horwath, and Louis Toth who had joined Horwath & Horwath in 1918.*



## Chapter 5

# 1965-early 1970s: | The Merger

*“I know that this event will forever make me proud of the part I played. The occasion is significant. It is a milestone in the history of our profession, because today we are welding two firms into one, each in its own way a leader in the profession.”*

*I.H. Krekstein, August 19, 1967*

### **Laventhol Krekstein Griffith & Co. enters the picture**

The 1960s are characterized by social revolution, civil and human rights movements, wars, and anti-war sentiment. South America experiences revolutions, Europe is rejecting Soviet domination, and the Middle East is attempting to assert itself.

The Berlin Wall goes up in 1961. The Cuban missile crisis, a tense confrontation between the United States and the Soviet Union over the Soviet deployment of nuclear missiles in Cuba, breaks out in 1962. Five years later, the Israelis and Arabs clash in the six-day war. In Northern Ireland, “the troubles” start in the late 1960s – a period of continuing sporadic violence. And in Mainland China, Mao Zedong launches a reform movement in 1965 to install Maoism as the dominant ideology. Social, political, and economic chaos ensues.

In North America, a trio of assassinations feeds unrest and tension: U.S. president John F. Kennedy in 1963, and in 1968 U.S. civil rights leader Martin Luther King Jr. and senator Robert F. Kennedy.

Tempering these unsettling events, Soviet cosmonaut Yuri Gagarin becomes the first person to travel into space in 1961, and in 1969 U.S. astronauts Neil Armstrong and Buzz Aldrin become the first humans to set foot on the moon.

Despite the turbulence of the 1960s, many western countries experience solid economic growth.

Horwath & Horwath continues its expansion both overseas and within the U.S. In fact, the organization is committed to an aggressive merger campaign and is on the lookout for attractive prospects.

Partner Robert Penn had worked with the firm Laventhol Krekstein Griffith & Co. (LKG&Co.) when it engaged him for a healthcare consulting assignment. Penn was impressed with LKG&Co.'s professionalism and its membership in CPA Associates, a group of independent accounting firms.

Lewis Laventhol and I.H. Krekstein, who is referred to by his initials, joined the same fraternity at the Wharton School of the University of Pennsylvania; both graduated in 1921. Krekstein subsequently accepted a position as plant manager while Lewis Laventhol joined a small local accounting firm in Philadelphia.

Neither graduate found his position satisfying, so in 1923 they set up a practice together and established Laventhol & Krekstein (L&K). They shared office space with a friend who was a certified public accountant and attorney. Their first clients included Krekstein's former employer, a dress manufacturer, some of Krekstein's clients that he worked with on a part-time basis, including a dry goods company for whom he performed internal auditing, as well as family and friends.

In 1925, both Laventhol and Krekstein passed their accounting exams and became certified public accountants. They renamed the firm Laventhol Krekstein & Co. LK&Co. grew steadily and soon the partners hired staff assistants and moved to a sizeable office in a better location. Laventhol married Krekstein's first cousin, strengthening the solidarity between these two friends and colleagues.

In the financial crash of 1929, Laventhol Krekstein & Co. lost a number of clients that did not survive this event, but the firm carried on. Krekstein recalls "the thoughtfulness and loyalty of our clients during the Bank Holiday, which President Roosevelt called a few days after taking office in 1933. We had one client, a retail chain and it had plenty of cash on hand because it did a big cash business. They paid what they owed us almost before it was due with money orders, which were immediately negotiable. For a period (of time) such receipts were weekly and this helped us to meet our payroll." On more than one occasion the firm accepted payment in kind, such as groceries and clothing, in lieu of cash during these trying times.

Laventhol Krekstein & Co. also conducted its first management advisory services engagement during the Depression. The assignment involved a "survey of the almshouses and poor farms conducted by a legislative committee of the Commonwealth of Pennsylvania. It is difficult to depict how great the mismanagement was, resulting in legislation abolishing these institutions." This foreshadowed the modern philosophy within the

accounting profession that the certified public accountant has a responsibility to society. The report on this investigation was accompanied by favorable newspaper publicity throughout the Commonwealth, acclaiming the firm's capabilities.

Most revenue during Laventhol Krekstein & Co.'s first two decades came from secretarial services the firm provided to some 20 associations, including the building and loan association. The firm prepared books and financial reports and attended monthly meetings.

Over the years, the partners' reputation grew among bankers and credit grantors. They also gained prominence in the federal tax field after winning a large federal tax assessment case on behalf of a client.

In 1935, Krekstein accepted an offer by Pennsylvania Governor George Howard Earle III to become deputy secretary of revenue and director of corporate taxes. He took a four-year leave of absence from the firm to fulfill this responsibility.

In 1942, he co-authored the book *Corporate Taxation and Procedures in Pennsylvania* and subsequently lectured throughout the country on this subject, again growing Laventhol & Krekstein's reputation.

LK&Co. executed its first merger in 1945. While this alliance dissolved in 1961, the firm carried out another merger soon afterward, with more following in quick succession over the next few years.

By this time, the client base of LK&Co. was large enough to enable management to focus on its philosophy that the principal reason for an accounting firm is not to serve partners and staff, but rather clients. Implementing this philosophy produced satisfied clients who were the best sources of new business for the firm. The other major source of new business was recognition and references from the general business community and from bankers, other credit grantors, and attorneys.

### **CPA Associates plants seeds of expansion**

In 1957, a group of accounting firms joins forces under the title of "CPA Associates" to exchange ideas, socialize among other professionals, and bolster fellowship.

Laventhol Krekstein & Co. joins this group to take advantage of the professional development opportunities offered by the association. CPA Associates conducts seminars for its members in the areas of practice management, personnel, taxes, accounting, and auditing standards. In this way, member firms share the costs of training.

I.H. Krekstein becomes the chairman of the association and molds the group into an effective working unit, while Lewis Laventhol guides the publication of a series of manuals dealing with policy statements, audit programs, working papers, and audit reports.

This form of alliance – a group of individual firms – is a new concept. Membership in CPA Associates enables independent firms to acquire benefits – particularly in the areas of professional development, recruiting, and business referrals – that are usually available only to national firms. Since both the American Institute of Certified Public Accountants (AICPA) and the Securities and Exchange Commission (SEC) support the concept, several other groups of public accounting firms subsequently form similar associations.

Membership in CPA Associates plants the seed for LK&Co. of national expansion possibilities as the firm's increasing involvement in this group demonstrates the advantages of working with other firms – especially those in other locations.

By 1967, LK&Co. is the largest member firm and several partners have leading roles in the association. This provides LK&Co. with hands-on experience in operating a national organization.

In January, the firm launches an aggressive merger campaign to develop a national firm. It acquires a major New York office through a merger, and a few months later merges with a Los Angeles firm, thus establishing an anchor on the west coast.

Now known as Laventhol, Krekstein Griffith and Co. (LKG&Co.), the firm has begun to develop the structure and administrative techniques necessary to operate a national firm. In conjunction with CPA Associates, the firm has also developed staff training programs, office inspection procedures, auditing and accounting manuals, personnel policies, and an administrative manual.

LKG&Co. is well on its way to establishing itself across the U.S.

### **Horwath & Horwath merges with LKG&Co.**

Early in 1967, Eugene Lott, managing partner of Horwath & Horwath, reports to the executive committee that current merger negotiations are not meeting the criteria the firm has established; he asks for suggestions for new approaches. Robert Penn reports on his experience with Laventhol Krekstein Griffith and Co., which has engaged him to work on a healthcare consulting assignment. Penn knows that LKG&Co. is a member of CPA Associates and

suggests that perhaps by joining this association, Horwath & Horwath might be in a better position to seek mergers with member firms.

The committee asks John Lesure, a leading partner in the New York office, to investigate this approach. Lesure subsequently meets with Daniel Jacobson of LKG&Co. Jacobson points out that Horwath & Horwath would not likely be accepted as a member of CPA Associates because the organization has offices in some of the same cities as members of CPA Associates. Thus the conversation shifts toward the possibility of a merger between their own firms.

Soon afterward, Eugene Lott meets with Jacobson to explore this possibility.

Horwath & Horwath has 20 offices throughout the United States and 30 associated offices of Horwath & Horwath International. While LKG&Co. has only six U.S. offices and none abroad, its fee volume is higher than that of the Horwath & Horwath stateside organization.

H&H is recognized as a specialized firm in the hotel and leisure industry. On the other hand, LKG&Co. has a strong, diversified practice, including a number of public-company clients. Both firms see important merger advantages.

The goals of the two firms become clear. LKG&Co. views the specialized practice and reputation of Horwath & Horwath as having significant value. Horwath & Horwath serves the leisure and healthcare divisions of many large organizations and LKG&Co. is intrigued by the potential for supplying accounting and auditing services to such businesses. Horwath & Horwath appeals for a number of other reasons as well: its strategic locations in major U.S. centers, its established management advisory services division, a growing international presence, extensive relationships with mortgage bankers, and a permit to practice in the state of Florida. All of these factors impress LKG&Co.

Horwath & Horwath has complementary goals: to further diversify; to increase fee volume in order to optimize staff training, personnel recruiting, and administrative procedures; to reduce the overhead costs of maintaining numerous small offices; to protect its specialty practice from encroachment by larger accounting firms; and to reduce the administrative burden for its executives so they can focus on practice development.

The two firms also share similar philosophies when it comes to serving clients and the community, and growing their firms.

A merger looks like an ideal arrangement for both parties.

Under its partnership agreement, LKG&Co. can effect a merger through its executive committee. Horwath & Horwath, however, requires the unanimous approval of the general partners. It is also customary to seek, as a matter of courtesy, the approval of non-proprietary partners. Thus H&H managing partner Eugene Lott obtains written approval from all partners to enter into merger negotiations with LKG&Co.

The first formal merger discussions are held in New York in April 1967, followed by discussions in Philadelphia a couple of weeks later. Krekstein and Lott conclude that a merger of the two firms would be feasible and pledge to work together to consummate an agreement.

On August 19, 1967 a total of 108 proprietary, non-proprietary, and retired partners of Horwath & Horwath assemble at the Bellevue Stratford Hotel in Philadelphia to complete the merger.

In his opening address, I.H. Krekstein says, "I know that this event will forever make me proud of the part I played. The occasion is significant. It is a milestone in the history of our profession, because today we are welding two firms into one, each in its own way a leader in the profession. The result will be an organization which will take its place among the 'big nine'."

Krekstein outlines the plan to accomplish a smooth transition and the Philadelphia office is designated as the executive office.

The newly merged firm is now one of the 15 largest public accounting firms in the United States – combining Horwath & Horwath's 20 U.S. offices and 30 international members with the six U.S. offices of Laventhol Krekstein Griffith & Co. as well as a healthy mix of clientele, outstanding partners, and experienced management.

While the roots of both firms are distinctly different from one another, they blend well. Their philosophies, in particular, are complementary; both are focused on client service, community service, professional commitment and integrity, staff training, and knowledge sharing.

The newly merged firm is christened Laventhol Krekstein Horwath & Horwath. This prompts one client to ask his auditor, "My God, what mother would give you such a name?" When the partner later in 1971 recounts this story at a western region partners' meeting in Los Angeles, another accountant attempts to calculate how much time a shorter name might generate in revenue. He points out that receptionists would take less time to state the name of the firm, clients could pose questions more quickly, and the time saved would increase partners' income! Whether or not this calculation impressed the executive committee, the name by 1972 is

changed to Laventhol & Horwath. Whether or not the name change ultimately impacts the partners' remuneration is never recorded...

While merger negotiations are fast and friendly, implementation turns out to be more challenging than anticipated. Under the chairmanship of I.H. Krekstein, the merger and acquisition committee sets a blistering pace for new mergers: 10 are completed over the next 17 months.

The rapid influx of new partners and clients requires a substantial capital investment and a sacrifice in short-term profitability. The firm has to quickly build a workable operational and professional structure for a vastly larger organization.

While the challenges are identified at an early stage, some of the solutions come slowly. Existing manuals, for example, do not meet the needs of the rapidly expanding client base and new partners and staff unaccustomed to practicing as part of a national firm. Manuals for accounting and auditing, management services, and tax as well as partner and administrative manuals have to be developed quickly.

While the newly merged firm had hoped to provide staff and partner training through programs offered by the American Institute of Certified Public Accountants, these programs do not fit the firm's needs. Laventhol Krekstein Horwath & Horwath begins developing its own education programs for various professional levels on a variety of subjects.

Later, it would be estimated that educational programs in the early post-merger years may have required up to 20 percent of distributable income.

The rapid growth of the practice also creates continuing demand for more professional staff. This challenge is compounded by explosive national economic growth during 1968. As well, the challenges of recruiting, orienting, training, compensating, and promoting professional staff are ongoing.

Laventhol Krekstein Horwath & Horwath also has to assess implementation of policies and procedures at the practice office level and establish a system for managing and rewarding personnel. Led by George Rosenbloom, who succeeds I.H. Krekstein as managing partner of the firm in 1968, the firm soon establishes programs for office inspection and partner and staff evaluation.

## **The U.S. accounting profession in transition**

By 1972, Laventhol & Horwath is going through a period of transition mirroring that of the U.S. accounting profession. The profession is facing new accounting principles, growing numbers of lawsuits against accountants, and concerns about professional ethics. Some “imaginative” accountants, attorneys, and managers contribute to the growth of the economy and the stock market by using form to disguise substance.

Penn Central Railroad's bankruptcy in 1970 is the largest in the history of the U.S. The scale of the bankruptcy leads to a series of government investigations. Shock waves emanate from important legal cases and court decisions. Not only does this stir many accounting firms out of complacency, but it also provides ammunition for critics of the profession. These commentators allege that accounting principles are being used to manipulate corporate stock prices. They point accusing fingers at the profession for its seeming inability to face up to its societal obligations to improve these principles.

None of the 12 largest U.S. accounting firms and dozens of others escape lawsuits filed by allegedly wronged shareholders, nor the investigative arm of the Securities and Exchange Commission – protector of the public interest. The SEC and the courts criticize the performance of the accounting profession. U.S. Congress launches its own reviews with the objective of regulating the profession. In response and in consultation with the SEC, the American Institute of Certified Public Accountants (AICPA) creates a self-regulatory framework for the profession. To enhance the quality of audits of financial statements of public corporations, peer reviews form the foundation of this framework.

To run the new self-regulatory programs, the AICPA creates the SEC Practice Section (SECPS), comprising accounting firms that audit the financial statements of public companies. The independent Public Oversight Board (POB) is established to oversee the SECPS and protect the public interest.

Meanwhile, Laventhol & Horwath learns to its chagrin that some clients are among the bad apples in the financial community. Several lawsuits are filed against the firm, with some cases resulting in a special SEC inquiry.

In 1974, Laventhol & Horwath becomes the first firm to undergo a peer review supervised by the SEC. These reviews involve having an external entity examine the technical operations and selected work papers of an accounting firm. Although reviews are well established in the profession, third party involvement is a new concept. Fortunately, Laventhol &

Horwath receives excellent ratings from the review. The report discloses only minor criticisms and lauds the firm's quality control procedures and auditing.

While this transition of the profession sees the demise of many firms, Laventhol & Horwath uses it as an opportunity and emerges significantly stronger, particularly in the technical aspects of its practice.

The end of the 1960s also marks the end of one era and heralds the arrival of another for Laventhol & Horwath. Edmund Horwath, who was born on May 17, 1884, dies in November 1966. Ernest Horwath, who was born on December 6, 1885, dies on July 22, 1970.

Laventhol & Horwath mourns the passing of its founders and looks ahead to where their legacy will take the firm.



*Lewis Lavenhol, co-founder of Lavenhol & Krekstein,  
which was established in 1923*



*I.H. Krekstein, co-founder of Laventhol & Krekstein*



*In August 1967, Horwath & Horwath merged with Laventhol, Krekstein, Griffith & Co. Signing the merger agreement in Philadelphia are (from left), Juan Seif, member of the executive council of Horwath & Horwath International Associates; Horwath & Horwath partners Rudolph Leone, Norman Katz, Robert Penn and John Lesure; Horwath & Horwath managing partner Eugene Lott; and LKG&Co. founder I.H. Krekstein.*

## Chapter 6

# 1967-1990 | Building a Global Framework

*“Our international group has proven itself to be composed of exceptionally straightforward, genuine and likeable professionals from many countries. There is a mutual respect and feeling of belonging in our ranks.... every member contributes something to the whole.*

*“The future of HHI is in your hands.... It is my fond desire that our group endures, that present relationships and friendships among all associates deepen and that professional excellence remains every member's goal ...”*

*Ivan de Naray, 1974 annual meeting, Atlanta, U.S.A.  
On the occasion of his retirement as president of HHIA*

### **Annual meetings, professional development, and staff exchanges create bonds**

The 1970s continue the trend toward global interdependence of economies. While American economic policies are felt around the world, the 1973 oil crisis precipitates a recession in the United States when the Arab members of the Organization of Petroleum Exporting Countries (OPEC) decline to ship oil to the U.S. and its western European allies. For much of the decade, the world experiences high inflation.

It's been seven years since the launch of Horwath & Horwath International Associates, and the organization has members in 25 countries. A need to strengthen its culture and practices within the burgeoning network remains.

To encourage closer cooperation and an ongoing exchange of ideas and information, HHIA focuses on forging closer ties with member firms. Sharing resources, an activity inherent in the early culture of Horwath & Horwath, is increasingly cultivated throughout the growing network. Annual meetings, professional development events, staff exchanges, quality reviews, and communication soon became the tools of choice to entrench the values of caring, sharing, investing, and growing among new recruits.

In September 1967, Lisbon, Portugal is the location of the first Horwath & Horwath International Associates annual meeting held outside of the U.S.A. This is an ideal opportunity for the former partners of Laventhol Krekstein Griffith & Co. to experience membership as part of a truly international organization. For many of these partners, cross-border cooperation is a new concept.

Beginning in 1960 when HHIA was established, annual meetings had been held jointly with those of Horwath & Horwath. These events, according to the 1964 issue of *The Horwath Accountant*, enable partners to “discuss the further expansion of the firm's representation overseas.” The reference to the firm's representation implies that the common thinking among partners may be that the organization is a local firm expanding beyond the U.S. border, rather than an international partnership. Thus the 1967 annual meeting provides a venue for both long-time and new partners to experience and explore the advantages of being part of an international organization in an international setting.

The Hotel Ritz in Lisbon provides a worldly ambience that welcomes partners and enhances the friendliness and affability of the occasion. During three days of meetings, networking and socializing, many partners of Horwath & Horwath International Associates experience an openness previously unknown to them. They learn from knowledgeable presenters with expertise from diverse countries and participate in personal exchanges of cross-border information. They also gain access to professional development resources, referrals, ideas, and assistance. Participants return home with a contagious enthusiasm for developing the potential of their burgeoning global network.

In ensuing years, international annual meetings will become highly anticipated, well-attended forums for partners worldwide to personally experience the culture and benefits of Horwath. From Philadelphia to Mexico City, Toronto, Jerusalem, Melbourne, London, Atlanta, Rome, Nassau, Munich, and Stockholm – hundreds of Horwath partners will attend annual meetings in their colleagues' jurisdictions, learning about local economies and strengthening their Horwath connections.

True to the “family” spirit of the association, many of the partners bring spouses and other family members with them to share these experiences. Every annual meeting offers numerous opportunities, including special events and tours, to explore local highlights and to experience local culture.

After 1990, when Werner Rotach would become CEO of Horwath International, his wife, Barbara, would play a valued role in developing and sustaining the “family” connections at annual meetings by staying in touch with spouses, encouraging their attendance, and welcoming new

participants. Consequently, many Horwath partners and spouses would become close personal as well as business friends.

Above all, annual meetings unite the Horwath family around the world by strengthening personal relationships through shared experiences. *The History of Horwath & Horwath International* (1984) recounts: "Each year's meeting left everyone with something extraordinary to remember. Those who attended the 1967 Lisbon meeting can look back with a smile to the closing gala. One huge oval empire table was able to seat all attendees and their guests; at the same meeting, all were accommodated for sightseeing in a not-so-large bus.

"Similar closing galas are recalled at Old Bookbinder's in Philadelphia, a country club in Toronto, the Inter-Continental Hotel in Jerusalem with its Arabian-night atmosphere, and the extravagant dinner in the new art museum under the guidance of the Food and Wine Society of Melbourne. No one present will forget Lord Hirshfield clothed in ermine regalia leading the Grenadier Guards of Buckingham Palace in full uniform through the Dorchester Hotel ballroom in London. Who could forget the reception with torchlights at the Castello d'Angelo overlooking the Tiber River in Rome, the outdoor Tattoo in Nassau, and the private bullfight in which some of our members participated in Mexico. The country farm dance in Atlanta, Juan Seif's presentation of the "World of HHI" in Munich, the magnificent final banquet in the splendid gilded reception area of Stockholm's famous Town Hall... the clambake in Boston, the poolside carnival and fireworks in Rio de Janeiro, and the extravagant dinner in the city's magnificent Guildhall, the beautiful and thrilling boat ride in San Francisco Bay and the reception and dinner with the Condesa Vda. De Torroella de Montgri at her historic Castillo de Peratallada outside Barcelona."

Such experiences create shared memories that bind Horwath's partners closer again.

Professional development is an important priority for HHIA. Technical sessions at annual meetings are no longer sufficient to develop the depth and breadth of expertise the organization wants to achieve. As well, a number of European member firms have grown quickly and their young professionals – many of whom are on track to become partners – need international professional education.

With the influence of U.S. businesses continuing to be felt around the world, many HHIA member firms are keen to learn more about U.S. standards and practices. Thus, partners Richard Wiskeman from Miami and Charles Hoffman from Philadelphia lead HHIA's first European seminar in

1971. More than 40 junior partners and managers from about a dozen countries attend a three-day seminar in St. Niklaas, a village in Belgium between Brussels and Antwerp. The seminar covers a variety of technical subjects such as accounting, auditing, working papers, and statistical samplings.

In successive years, training is expanded to include sessions on a variety of management advisory service subjects in a different locales including France, Germany, Switzerland, and Mexico.

Within three years, more than 150 managers and junior partners from Europe and Latin America have participated in seminars for HHIA's European and Latin American firms. Partners of the U.S. member firm Laventhol & Horwath conduct the European sessions, while their materials are translated into Spanish for Latin American participants. Partners of various HHIA Latin American firms deliver the sessions. Many of the relationships established during these early professional development programs will continue for decades.

As the benefits of these programs are realized through increasing referrals and enhanced expertise, HHIA uses the 1974 annual meeting in Atlanta as a forum to beef up its commitment to professional development. Participants receive an array of materials and the partners appoint leaders to assist in delivering seminars, courses, and workshops in major centers around the world.

The newly formed European Regional Organization (ERO) conducts its first management advisory services seminar in 1976 in Amsterdam.

Language presents another challenge for HHIA's professional development expansion plans. In Latin America, many countries use variations of Spanish. The only solution is to translate the English technical manuals and seminar materials into Spanish – a monumental, but necessary, task.

Two years after HHIA's Latin America and Caribbean region (HORLAC) is established in 1976, it forms a continuing education committee and commences the laborious task of translation. The region holds its first management advisory services seminar in Spanish in 1978, the same year that the Spanish version of Laventhol & Horwath's *Accounting and Auditing Manual* is published. With an enthusiastic response from participants, the region goes on to translate a series of manuals and seminars on a wide range of subjects to meet escalating demand by regional member firms.

Back in 1964, Ivan de Naray, president of Horwath & Horwath International Associates, had said, "The more we exchange staff members, the more

uniform we make our thinking, methods and working tools, the more homogeneous our international organization will become – a most worthwhile goal.”

Horwath & Horwath International Associates takes this advice seriously. Originally, partners involved in the hospitality and tourism sector traveled to Miami to learn the intricacies of Horwath's hotel accounting and food and beverage controls. Over the years, exchanges expand to more offices and more areas of study: accounting and auditing, taxation, management advisory services, hotel and leisure consulting.

Along with equipping the individuals involved with knowledge and skills, HHIA reaps benefits: international standards become more accepted and firms become more comfortable working with each other. The number of participants continues to rise, and ultimately hundreds will experience working in foreign lands and will establish their own personal global connections via the Horwath network.

## **Reshaping the international network for growth**

Over the past decade, HHIA has almost doubled in size. It is time for the organization to establish more formal and sophisticated planning systems and governance structures to facilitate future development.

Strategic planning is the first issue to be dealt with. Annual partners' meetings are no longer a practical forum for complex strategic planning. In 1970, executive council establishes the first of a series of long-range planning committees.

The committee addresses many significant matters that will impact the long-term growth and success of the international body, including organizational and financial issues, education, training, communications, marketing, client service, specialties, and more. The planning process also points out the need for changes to HHIA's infrastructure.

By 1972, Horwath & Horwath International Associates has expanded into more than 30 countries and is the 13<sup>th</sup> largest international accounting organization in the world. Both the strengths and the weaknesses of the infrastructure are clear.

Much of the early development of the international organization has been propelled by U.S. member firm Horwath & Horwath, and now by Laventhol & Horwath. This is natural in light of U.S. influence on global developments. Since the end of World War II, many countries regard the U.S. as the protector of the western hemisphere, and the American style of life is copied extensively. America has also enjoyed decades of significant

economic growth and its financial and accounting standards and methodologies are widely adopted by other countries.

As the 1970s unfold, however, the European and Asian economies gain strength and influence, as do many of HHIA's members in these regions. It is time for the structure of the international organization to reflect internal and external changes. At the 1972 HHIA annual meeting in Melbourne, Australia the international organization is restructured to reflect this new maturity.

The executive council decides that the executive partner of Laventhol & Horwath should serve as chairman of the council, thus assuring the ongoing active involvement of the U.S. firm. And the New York office of HHIA, currently part of the Laventhol & Horwath practice, will now function independently and exclusively as the coordinating headquarters of Horwath & Horwath International Associates. Now it's time to delegate some additional duties to build the global network.

Since the early 1960s, Horwath & Horwath International Associates has appointed national partners in the areas of accounting and auditing, tax, management advisory services, and personnel. These partners are responsible for coordinating these specialty areas among member firms, and for initiating the development of the necessary training and tools to meet the standards of the profession – and those of HHIA.

As HHIA expands into more countries, however, the firm must delegate these responsibilities to committees. In the 1970s, the executive council establishes five standing committees: first client development, then leisure time industries, tax, human resources, and accounting and auditing. Under the supervision of the council, which also establishes objectives and membership criteria, the committees guide HHIA's progress in their respective areas. Each committee has representatives from countries in key areas of the world who bring diverse perspectives and knowledge to the table.

The committees generally meet twice each year. Soon they are actively developing standards, educational materials and programs, and establishing peer review programs. They also promote inter-firm exchanges.

The European Regional Organization and the Latin America Regional Organization establish the same five committees on a regional basis, providing input and support to their global counterparts. At both levels, the committees serve as a regular forum for HHIA's knowledgeable professionals to gather and exchange current knowledge and practices – and in turn share these with their firms and clients.

The accounting and auditing, MAS, and leisure committees also have responsibility for creating and conducting peer review programs to ensure the technical proficiency of HHIA members. At least once every three years, every HHIA member firm involved in these areas of work must participate in these quality control reviews. The reviews not only provide HHIA with reassurance regarding the quality of the work produced by members, but also benefit the firms by offering insights into ways to improve performance.

In addition, the reviews provide an opportunity to evaluate prospective new members of HHIA that must undergo the same assessments to be approved for membership. Moreover, as HHIA encourages members to generate international referrals, the reviews provide reassurance that clients will receive the best possible quality of service.

The committees and review programs have assumed responsibility to carry on the legacy of Edmund and Ernest Horwath: invest in top-quality people and top-quality service.

HHIA is now mature, with long-range planning in place and a solid governance structure.

### **Lord Desmond Hirshfield propels formation of European region**

In 1973, some 100 delegates representing about 27 countries attend the eighth annual meeting of Horwath & Horwath International Associates in London. These increasingly large gatherings foster the fellowship and ties that HHIA wishes to encourage. However, it is also apparent that they need to introduce more opportunities for member firms in geographic proximity to work more closely together.

The European member firms of HHIA, in particular, are positioned for closer cooperation. Some are part of the European Economic Community. The EEC was established in 1958 by treaty among the countries of Belgium, France, Italy, Luxembourg, the Netherlands, and West Germany with the goal of an economic union. In 1967, the EEC consolidated with two other treaty organizations to create the European Community. Subsequent treaties strengthen and expand the economic ties among many European countries.

Lord Desmond Hirschfield, co-vice-president of HHIA and an influential figure within the organization, champions the idea of regionalizing the European member firms. He had joined HHIA 11 years previously with the objective of enhancing client service and feels that closer working relationships among member firms in geographic proximity will assist with this.

Lord Hirshfield was partner-in-charge of Hesketh Hardy Hirshfield & Co. in 1962 when his nine-partner London-based firm joined HHIA. At that time it was unusual for a firm of this size to be associated with an international group. Lord Hirshfield, however, saw the potential of post-war trade expansion. HHIA's executive council recognized the talents of the visionary Desmond Hirshfield and invited him to join the council in 1966.

The Rt. Hon. The Lord Hirshfield is also an important figure in the United Kingdom. He has held numerous prominent government appointments and played a leading role in high-profile government, community, and charitable activities since before World War II. He was the founding chairman of the British Association of Hotel Accountants, a position he would ultimately hold for 25 years. He also anticipated by two decades the decline in employment resulting partly from the advent of modern electronics and increasingly efficient methods of production. To address this challenge, Lord Hirshfield launched the Foundation on Automation and Human Development in 1962. In 1967, he received his life peerage under the second Harold Wilson government.

Now, as managing partner of Horwath Hesketh Hirshfield & Co., Lord Hirshfield is host of the 1973 HHIA annual meeting in London.

Equally at ease with a junior staff accountant or the Prime Minister of India, Lord Hirshfield presides over meetings with great style. A superb chairman and an excellent speaker, he uses his dry wit effectively on both informal and formal occasions. In the ballroom of the Dorchester Hotel on the final evening of the meeting, about 120 HHIA partners and guests have an opportunity to personally experience Lord Hirshfield's impressive presence.

Honoring a formal British tradition, a toastmaster greets arrivals at the door. He introduces each person to the assembled gathering by sharply banging his mace on the floor and ebulliently announcing the names of each new arrival. The Rt. Hon. The Lord Hirshfield, accompanied by Lady Hirshfield, personally greets each guest and circulates among the crowd throughout the evening.

As everyone relaxes over coffee and dessert, Lord Hirshfield stands to make an announcement. He explains that he has been summoned by Her Majesty The Queen and must leave the gathering. Wishing his colleagues and friends a regretful goodbye, he departs to fulfill his obligations.

No sooner have the doors closed behind him, however, than the heads of the assembled crowd swing toward the entrance in response to swelling music. Trumpets blasting, row upon row of red and gold-uniformed members of the Band of the Grenadier Guards marches into the ballroom.

Forty-eight strong, they proceed past the startled guests, leading the way for a surprise visitor: The Rt. Hon. The Lord Desmond Hirshfield, draped in a red coat edged with white ermine. Wearing a huge smile, Lord Hirshfield revels in the surprise and delight of his Horwath colleagues.

No surprise, then, that Lord Hirshfield initiates the development of HHIA's European region. By 1973, the firm has members in Germany, Greece, Ireland, Italy, the Netherlands, Norway, Spain, Sweden, Switzerland, and the U.K. Lord Hirshfield believes that the association must develop and mature regionally as well as globally, and he shares his ideas with some of his colleagues and the members of HHIA council. While some fears exist that politics may interfere with this plan, Lord Hirshfield possesses the vision and the influence – along with an engaging English sense of humor – to convince his colleagues that his vision represents the right direction.

Discussions ensue among council members, as do telephone calls and visits among members of HHIA's European firms. By early 1975, HHIA's European member firms are ready to develop the constitution for a regional network. They meet in Brussels and forge goals for the region:

- to foster closer, consistent cooperation while retaining individual national independence;
- to increase the exchange of ideas, information, expertise, and staff;
- to foster mutual support and advancement for the development of a strong region of technically sound and progressive national firms; and
- to establish seminars and programs for clients and potential clients.

The regional organization intends to encourage involvement among participating firms, help each firm grow, and enhance the image of the international organization.

Determined to assure the success of the new region, Lord Hirshfield takes no chances in its start-up phase. According to his colleague, Phillip Sober, who would become director of the region in 1991, "...Desmond was never one to be satisfied with a vague agreement to work together. He drafted in detail a constitution that would probably have sufficed the United Nations! He also drafted the terms and areas of responsibility for each of the sub-committees, proposed the various chairmen and members of the committees and got the organization underway in record time."

Thus the European regional organization (ERO) is structured with an executive committee as well as committees for accounting and auditing, management advisory services, taxation, leisure time industries, and client development.

The executive committee, comprising a partner delegated by each member of the ERO, will meet twice a year for at least one full working day. Each European member firm delegates a partner as an executive committee member. Most are leading partners involved in international matters and are regular participants in HHIA meetings and other events. The role of the ERO executive committee is to exchange information with HHIA executive council related to matters in Europe that might affect the profession, marketing and practice development issues, and relevant committee developments. In turn, HHIA executive council will share information regarding relevant decisions and issues to be addressed at HHIA annual meetings. This structure is intended to provide an efficient conduit for issues impacting HHIA's European members.

Lord Hirshfield is appointed as the first chairman of the ERO.

With attention now focused on the European region, it isn't long before HHIA achieves more successes in that part of the world.

As the British play an increasingly important leadership role in world economic affairs, HHIA moves to forge a stronger presence in the United Kingdom. Led by Laventhol & Horwath in the U.S. and the member firm in Canada (these firms having growing interests in the U.K.), HHIA encourages a merger between Horwath Hesketh Hirshfield & Co. and Stoy Hayward & Co., both of which are based in London.

James Royle Hesketh founded the predecessor of Lord Hirshfield's firm, Hesketh Hardy Hirshfield & Co., in Manchester on March 19, 1883. The Institute of Chartered Accountants in England and Wales had been incorporated by Royal Charter less than three years earlier – on May 11, 1880.

With more than 400 partners and staff members, Stoy Hayward & Co. is a large, prestigious London-based firm that traces its origins back to 1875 – even farther than Horwath Hesketh Hirshfield.

Negotiations are complex and lengthy, but ultimately successful. In 1975, the merger is complete and a new practice – one of the 15 largest accounting firms in Great Britain and the second largest in the HHIA network – emerges under the name Stoy Hayward & Co. The hotel and tourism consulting practice, which had been established separately in 1962, continues under the name Horwath & Horwath (U.K.) Ltd.

For the member firms of the European region, Stoy Hayward proves to be an effective counterbalance to Laventhol & Horwath in the U.S. Stoy has a number of young, proactive partners who bring enthusiasm and energy to the expansion of international business. The U.S. and U.K. firms cooperate and complement each another. Stoy Hayward shares a similar culture.

Thus Stoy Hayward immediately begins investing in its international association. The firm refers business to its HHIA colleagues, hosts seminars conducted by HHIA member firms for staff and clients and in turn develops and delivers accounting, taxation, and electronic data processing seminars for HHIA member firms worldwide as well as for European region members. Stoy Hayward also enthusiastically participates in staff exchanges and opens the doors to its impressive library to all of HHIA.

This library is managed by three specialists who have developed a special filing code system for the extensive collection of books, studies, speeches, articles, brochures, and a range of other collectibles that contribute to the firm's professional development.

Edward (Teddy) Langton, who was managing partner of Stoy Hayward before the merger, carries on in this role and joins the executive council of HHIA. Langton had been appointed managing partner of Stoy Hayward in 1968, when the firm had only eight partners and a staff of 100. He has overseen the rapid, responsible development of the firm and has laid the foundation for Stoy Hayward to become a major player in the U.K. accounting community. With HHIA's European Regional Organization (ERO) also poised for development, Langton is appointed regional director as well.

Langton will end up serving 11 years on council and as ERO regional director for seven years, acting as a strong champion for the development of Stoy Hayward and of Horwath & Horwath International Associates. Under his thoughtful guidance, Stoy Hayward will more than quadruple in size over the next decade. Langton and Lord Hirshfield will also play leading roles in the growth of the European region.

### **Latin American members join forces**

By 1975, HHIA member firms in Latin America and the Caribbean include: Argentina, Brazil, Ecuador, Chile, Colombia, Guatemala, Jamaica, Mexico, Panama, Peru, Puerto Rico, and Venezuela. With Miami serving as a strategic locale for Horwath's expansion into Latin America, Eliberto (Ely) Graciá, who heads the international consulting department in that office, coordinates activities between HHIA and the Latin America and Caribbean member firms. Graciá has been with Horwath & Horwath for 14 years and is a key participant in the growth of its cross-border business with Latin America.

Accompanied by Marisa, his wife of two days, Graciá arrives in Miami on January 6, 1961 on the last commercial flight to depart Havana, Cuba for the

U.S. after the revolution. The following day, the United States breaks off diplomatic relations with Cuba and cancels all flights into and out of the country. With a tourist visa and US\$5, Graciá begins a new life in a new country.

Fortunately, Graciá has an uncle in Miami who is a hotel manager for an international hotel chain. Well known and connected in the hospitality sector, he introduces his nephew to Ivan de Naray, managing partner of the Miami office of Horwath & Horwath. Since this is one of the five largest accounting and consulting firms in Miami, young Graciá is eager to make a good first impression.

Graciá's father, general manager of a large sugar company in Cuba, had sent the junior Graciá to the U.S. to attend military school. Ely Graciá went on to attend Louisiana State University and then the University of Havana where he completed his college education. After returning to Cuba, Graciá went to work as an accountant in a "big eight" firm, where he acquired his certified public accounting designation and gained experience working with large hotel clients.

De Naray is obviously impressed with Graciá's background, education and fluency in English and Spanish; Graciá leaves the office with an employment agreement. On January 24, 1961 he joins Horwath & Horwath as a staff accountant.

Even though Graciá has experience with a large and sophisticated international accounting firm, it takes almost two years to learn Horwath & Horwath's procedures and technologies for its hotel audit and accounting assignments. All employees of Horwath & Horwath are required to sign a non-compete agreement to protect these proprietary methods; however, once an individual becomes an employee, the firm is generous in sharing its knowledge and tools. Graciá soon becomes an advocate of the Horwath & Horwath approach – and a valuable asset to the firm.

In February 1968, Graciá becomes a partner and takes a more active role in teaching others the intricacies of hotel accounting and consulting. Soon, he is training partners from around the world: Germán Maldonado from Mexico, Ahrun Gandhi from India, Milo Del Rosaria from the Philippines, Melvin Green and Peter Copp from England, and many others.

In 1967, Graciá is appointed to lead international consulting from the Miami office and in 1985 is appointed chairman of HHIA's hotel, travel, and tourism committee. As many of the large hotel chains that are his clients open properties in Latin America, Graciá is increasingly involved in cross-border consulting assignments. He initiates and guides numerous feasibility and systems studies that take him not only to Latin America, but also as far

as Europe, Asia, and Africa. Along the way, he continues to train partners and professionals in the HHIA style of hotel accounting.

Transferring knowledge to other member firms with warmth, charm, and wit, Graciá is a popular liaison and resource for both Horwath & Horwath and for Horwath & Horwath International Associates.

The more business increases with HHIA's Latin America members, the more Graciá and his colleagues in these countries realize that a formal structure is necessary for the region to thrive. Along with Graciá, Mexico's Germán Maldonado, Argentina's Jorge Pestarino and Raul Nazer, Brazil's Salvador (Netto) Conti, Chile's Ramón Espejo, Venezuela's Luís Acosta, and Perú's Jaime Vázquezall contribute to devising a regional organization that will serve as a foundation for growth.

By the fall of 1976 when the HHIA annual meeting is held in Nassau, Bahamas the group is ready. The HHIA partnership approves the formation of the Latin America region, known as Organización Regional Latino Americana (ORLA) and later changed to Horwath Latin America and the Caribbean (HORLAC). Raul Nazer of Argentina has written the bylaws. The talented and well-liked Germán Maldonado, managing partner of Rocha y Maldonado of Mexico City, the largest of the Latin American firms and a member of the executive council of HHIA, is elected president. Maldonado is charged with chairing the twice-a-year regional meetings and strengthening communications in this large geographic area. The partners also establish the same committees at the regional level that exist at the international level.

Ely Graciá serves as regional coordinator, with responsibility for representing HHIA in Latin America and coordinating inter-firm matters. He also helps Maldonado increase HHIA representation in Latin America and adapt appropriate Horwath training programs and materials for the region. In effect, he plays the dual – and sometimes conflicting – roles of ensuring the wishes of HHIA executive council are carried out in the region, and acting as ombudsman for the region's members. As the value of this role quickly becomes apparent, it is expanded and formalized and Graciá becomes regional director, a role he will play for 28 years before his retirement in 2004.

Many of the Latin American partners share a similar commitment to their region and to HHIA. As former Harvard professor, consultant and guest speaker David Maister would say at an HI annual meeting held in Puerto Rico in 1993, “Groups do not cooperate, people do.”

The “family-minded” Latin American style contributes to creating a cohesive region, encouraged by several champions. Along with Germán

Maldonado (who lays the foundation for the region) and his successor, Salvador Conti of Brazil (who diplomatically convinces the skeptics that regionalization is the right way to grow), Sotero Peralta will play a vital role for more than 30 years. Founder and managing partner of Sotero Peralta & Asociados of the Dominican Republic, Peralta will grow his firm to become the third largest there. At the same time, he will help Horwath become one of the world's largest accounting and consulting organizations.

Peralta had already been impressing Horwath colleagues for many years – even before he joined the organization. In 1976, Eliberto Graciá was in the Dominican Republic to present the results of a feasibility study conducted by Horwath's Miami office. As the meeting commenced, the client introduced Sotero Peralta as his “accountant and advisor.” Graciá presented the results and responded to the client's questions. Peralta listened carefully throughout but did not speak. Three hours later, the client asked Peralta whether he had any questions. Peralta proceeded to ask a series of complex financial questions that both challenged and impressed Graciá. Fortunately, Graciá's responses satisfied both the client and his advisor, both of whom were pleased with the results of the assignment.

Intrigued by this quiet, modest, and intelligent accountant, Graciá invited him for a drink. They discovered a mutual respect for, and a common interest in, Horwath & Horwath International Associates. Graciá, ever the Horwath promoter, proposed providing assistance to enable Peralta's small firm to grow. Peralta, a visionary, was keen to explore the benefits of an international relationship.

Horwath subsequently provided guidance, resources, and tools that enabled Sotero Peralta y Asociados to thrive. Within two years, Peralta had a growing clientele and a clear vision of what he wished to achieve through membership in an international network. In 1978, Peralta y Asociados joined Horwath & Horwath International.

In ensuing years, Peralta would make incalculable contributions to the international network. He would conduct training seminars and quality control inspections, participate in joint engagements with many Horwath offices, serve on the executive council and the board of directors of Horwath International, succeed Conti as chairman of the Latin America and Caribbean region, participate in the strategic planning task force, and sit on numerous regional and international committees.

Through his professional accomplishments, Peralta also brings respect and prestige to Horwath. He would go on to serve as the president of the Dominican accounting institute and president of the board of directors of

the council on conciliation and arbitration of the commerce and production chamber of the Dominican Republic.

With his business acumen, cultural and language proficiency, along with an unassuming demeanor and highly effective way of working, Peralta personifies the ambitions and capabilities of Horwath's Latin American region.

With a team of dedicated leaders, HORLAC by 1990 has members in the major centers of Latin America and the Caribbean, has expanded into Central America, and is the seventh largest association in this part of the world.

### **International Tax Manuals achieve worldwide recognition for Horwath**

As the 1980s take hold, the governments of developed countries begin to encourage foreign investment in order to build economic growth. Increasingly, the world's major economies remove capital controls and deregulate financial markets. Trade, investment, and knowledge flowing primarily among Europe, North America, Japan, and South America drive the global marketplace.

The need for international tax expertise escalates as companies go multinational and are required to circumnavigate complex regulations in multiple jurisdictions. The international and regional tax committees of Horwath & Horwath International have been hosting seminars for staff and for clients on a range of tax issues in major centers. As demand continues to grow and the number of participants swells, HHI recognizes that more international tax resources are needed.

The international tax committee, under the leadership of chairman Alan Cinnamon of Stoy Hayward, conceives and develops the *Horwath International Tax Planning Manual* in 1984. Roger Chippendale, also a member of the tax committee, establishes a relationship with Commerce Clearing House (CCH) of Sydney, Australia – one of the largest publishers of legal literature in the English-speaking world. CCH agrees to publish the manual.

Twenty-three HHI tax partners from as many countries author the first edition. The book provides an overview of current regulations in each country and addresses the tax consequences of common international transactions such as how to structure a foreign business, acquire a subsidiary, consolidate a group of companies, and identify deductions, exemptions, and incentives. With a uniform format, the manual enables readers to conduct

quick comparisons among countries regarding major issues such as tax systems, rates, withholding taxes, investment incentives, residency, etc.

Given the changing nature of tax, the manual is structured to address the challenge of timeliness. It is published in a loose-leaf format and purchasers receive quarterly updates.

The publication is an immediate success and attracts subscribers from around the world – tax experts, accountants, auditors, lawyers, and corporate financial officers who deal with international tax matters. The concept expands and evolves; a CD-ROM version is produced. Additional versions of the manual roll out: *Horwath International Tax Planning Manual – Corporations*; *Horwath International Tax Planning Manual – Expatriates and Migrants*; *Horwath International Offshore Financial Services*.

The global distribution of the manuals and their welcome reception by professionals worldwide generate widespread recognition of Horwath tax expertise and open doors for the association's tax experts in country after country.

Over the years, more HI members would become involved, sharing their time and expertise to produce these popular tax tools. Les Szekeley and staff members in the Sydney, Australia office coordinate the program and edit updates. On the other side of the world, Paul Marineau of the Grand Rapids office of Crowe Chizek coordinates with publisher CCH, as does Hans de Kruijs, chairman of HI's international tax committee and a partner of Horwath Tax Holland in Amsterdam. The manuals would continue to be published into 2005, with contributions by more than 42 member firms.

### **Passing the presidential torch: de Naray to Seidman to Hirshfield**

Ivan de Naray is honored at the 1974 Horwath & Horwath International Associates annual meeting in Atlanta. It's been more than 25 years since de Naray joined Horwath & Horwath to manage the Miami office and 14 years since he was involved in the launch of Horwath & Horwath International Associates. De Naray is retiring as president of an international association that he has guided since its birth.

During that time, the association has expanded to encompass 96 offices in 38 countries. Many of his dreams for the organization have come true, yet his parting remarks to his colleagues focus on the future. "When I look back to 1960 when HHI was born... it is hard for me to realize how rapidly all of these years involving international planning and organizing, and the innumerable trips on all six continents, passed by... Our international group has proven itself to be composed of exceptionally straightforward, genuine,

and likeable professional men from many countries. There is a mutual respect and feeling of belonging in our ranks...Every member contributes something to the whole. It may be through financial support; it may consist of referral of business; it may be in carrying out business referred, even without the ability to reciprocate; and it may even be just the availability of information or professional assistance...

"The future of HHIA is in your hands and in the perspicacity, tact, and business judgment of the leadership of this group. It is my fond desire that our group endures, that present relationships and friendships among all associates deepen, and that professional excellence remains every member's goal..."

Upon his retirement, de Naray's Horwath colleagues recognize him as the founder of Horwath & Horwath International Associates and elect him president emeritus in honor of his exceptional achievements.

Victor Seidman has a tough act to follow as de Naray's successor, but he is up to the challenge.

Vice-chairman of Laventhol & Horwath and managing partner of the 300-strong New York office, Seidman is an experienced professional and an efficient administrator. His warm, unpretentious personality makes him a popular leader. He immediately begins extensive travels throughout the international network, continuing de Naray's role of building close relationships among member firms.

Under his four-year tenure, membership in HHIA increases by 50 percent and Seidman strengthens the foundation of the network. He establishes regional organizations, standing committees and formal long-range planning. He also oversees a change in corporate structure. In 1977, the Bahamas-based HHIA association is legally changed into a partnership based in New York State. It is now the era of Horwath & Horwath International (HHI).

The following year, Seidman passes the torch to Lord Desmond Hirshfield.

Lord Hirshfield is already playing several prominent roles for Horwath & Horwath International. He is a partner of Stoy Hayward & Co. based in London, has been a member of the Horwath team since 1962, has served on executive council since 1966 and has chaired the European Regional Organization since 1975 – all roles in which he has made significant contributions.

The partners warmly welcome Lord Hirshfield as the new president of HHI at the 1978 annual meeting in Stockholm. This is a noteworthy

transition for another reason as well – it is the first time that a partner from outside the U.S. will undertake this role for the international organization.

Stockholm's great landmark, the Town Hall, topped by the three golden crowns of the Swedish coat of arms, seems a fitting venue to thank Victor Seidman and to welcome incoming HHI president, The Rt. Hon. The Lord Hirshfield.

Lord Hirshfield recognizes the challenges of dealing with change and will dedicate himself to strengthening the relationships between HHI and its member firms. In his acceptance speech, he states, "...there are important benefits to being in the HHI family... the best way forward for growth and development is one's own internal and national practice development. The more prestigious a firm becomes within its own country, the greater is the likelihood of gaining clients who have potential international aspirations – and the more will be the confidence in it shown by other member firms and their clients." He knows that an important part of his role will be to ensure that HHI members understand and benefit from all of the advantages of their membership.

Lord Hirshfield personally embodies the attributes of caring, sharing, investing, and growing. He feels the larger firms within HHI have an obligation to help the smaller ones grow. He therefore makes education and training a priority to develop member firms.

Using his connections, charm, and perseverance to achieve his vision for the organization, Lord Hirshfield travels extensively throughout the HHI network. In one 50-day period in 1983, for example, he travels some 35,000 miles to 10 countries, meeting personally with partners and staff in 14 cities. By the end of his six-year tenure, Lord Hirshfield has strengthened and expanded the HHI network to 70 countries.

### **Rise of the Asia Pacific region**

By the end of the 1970s, it is apparent that the regionalization of Horwath & Horwath International is the right strategy for expanding and strengthening the global network. The European and Latin American regions are established, growing, and successful.

It is also apparent that the Pacific Rim is an ideal candidate for regionalization. International business development in this part of the world is gaining momentum and it is important strategically for HHI to construct a strong, integrated presence in Asia's significant countries.

HHI has member firms in Australia, Hong Kong, India, Indonesia, Japan, Korea, Malaysia, Singapore, and Taiwan. These firms, however, work primarily with local businesses; few are involved in international

engagements. HHI is performing a number of feasibility studies in Asia, but these studies are principally performed or guided by Horwath's U.S. or U.K. firms. HHI's limited knowledge of local economies, cultures, and politics is not conducive to undertaking significant assignments. The Pacific Rim presents a challenge and an opportunity.

Led by Lord Hirshfield's initiative, representatives of HHI's member firms gather in Kuala Lumpur, Malaysia in 1980 and elect Samuel Wong, managing partner of Wong Brothers & Co., as the first regional director of Horwath International's Asia Pacific Regional Organization (APRO).

Wong does not have an easy task. "Sharing" is a new concept for this region. For Horwath firms in the U.S. and Europe, the shared misery caused by two world wars points out the obvious advantages of cooperation. While Horwath's Latin American members recognize the need for cooperation to keep pace with the rest of the world, they too have to invest substantial time, effort, and funds to nurture the values of caring and sharing and investing and growing in order to create a cohesive group.

In the Asia Pacific region, each country is distinctly different in so many ways: language, culture, economy, education – even professional qualifications. As well, the region – from Japan in the north to Australia in the south – is even larger than HHI's Latin America and Caribbean region, presenting significant travel challenges. To overcome some of the geographical issues, in 1982 Wong establishes three sub-regions: Asia (Indonesia, Japan, Korea, Hong Kong, Singapore, Thailand, Malaysia, and Taiwan) Oceania (Australia/New Zealand), and the Indian subcontinent (India, Pakistan). Yet barriers to cooperation remain.

Eliberto Graciá, Horwath's regional director of Latin America and the Caribbean, did not sleep well at the 1986 Laventhol & Horwath annual partners' meeting in Miami. Before retiring for the night, he had received a message from George Bernstein, executive partner of Laventhol & Horwath and chairman of Horwath & Horwath International Associates. Graciá knew that such an invitation implied a serious discussion. He worried about just how serious that might be.

Graciá recalls the breakfast with Bernstein after a fitful rest: "...he started by telling me what a great job I'd done in Latin America and in the travel and tourism sector. Then he added; 'we are having problems in the Asia Pacific area and we would like you to help us out there. You have our complete support to do what needs to be done'."

Despite misgivings about what he would be able to accomplish, Graciá knows this is something he has to attempt. He flies to Hong Kong soon afterward to assess the situation. Beginning with a visit to Samuel Wong of

Wong & Brothers, he then travels to Seoul to visit the Korean office, then to Kuala Lumpur to visit Horwath's Malaysian firm, and continues until he has visited every firm in the region.

After touring and talking to partners for two weeks, Graciá presents detailed suggestions to HHI's executive council, emphasizing the need to promote inter-member cooperation and to develop international business. Within a decade, the British will hand over Hong Kong to China and, while no one can predict what might happen after this, there are expectations of positive business developments.

The targets are in sight, but the "how" is a challenge. Horwath's executive team decides that Graciá is just the man to undertake the "how." He is appointed full-time director for the Asia Pacific Regional Organization in early 1986.

One of Graciá's first priorities is to establish stronger international connections in Hong Kong, the Pacific Rim's economic center. The Wong Brothers are well established in the local business community but lack multinational experience and contacts.

Pete Peters, managing partner of the western region hotel consulting division of Laventhol & Horwath in the U.S., is in Hong Kong in 1988 at the same time as Graciá and HHI chief operating officer Werner Rotach. Peters introduces them to Alan Johnson, who had moved to Hong Kong from Sydney, Australia the prior year to represent the interests of an Australian accounting firm in another Hong Kong-based firm.

Serving primarily international organizations and a few local businesses, the client base of this Hong Kong firm complements that of Horwath's existing member firm, Wong & Brothers. Merger negotiations ensue, but the fit is not perfect. HHI accepts the decision of the Wong Brothers to leave the network – and Johnson's firm becomes the new HHI member in Hong Kong, subsequently changing its name to Horwath & Company, Hong Kong.

For HHI, the new firm offers a conduit to expanding multi-national business in this vital center of the global marketplace. For this newest member firm, HHI offers an opportunity to extend its connections farther afield while "professionalizing" its methods. Adding "Horwath" to the name of the new firm simply makes sense in promoting this important connection.

This is a time of great uncertainty in Asia. Following the Opium War with China, Britain's 99-year lease on Hong Kong expires. On July 1, 1997 China takes control of the economically booming territory.

China pledges to respect Hong Kong's existing laws and individual rights for 50 years under a "one country, two systems" policy. Still, serious concerns arise as to whether China will restrict the human rights of Hong Kong's more than six million residents. Exacerbating these fears, land values in Hong Kong collapse following the takeover, and a financial crisis spreads throughout Asia. This devalues currencies and stock markets not only in Hong Kong, but also in Thailand, Indonesia, and South Korea.

These developments add to the challenges of Horwath's newly hatched Asia Pacific region. For more than two years, Eliberto Graciá has been traveling back and forth from Miami to HHI's Asian offices. As the region takes shape, however, it is time to put into place a local director who can build on the foundation.

As managing director of Horwath & Company, Hong Kong, Alan Johnson had wasted no time in expanding the firm's contacts and client base. His capable, determined approach has earned him the respect and attention of his Horwath colleagues.

The council recognizes Johnson's talent and potential. At the 1989 HHI executive council meeting in Hong Kong, they invite him to sit on the council and serve as director of the Asia Pacific Regional Organization (APRO).

Impressed with what Ely Graciá had already accomplished in the APRO region – and especially by what he had achieved in the Latin America and Caribbean region, Alan accepts the challenge. He also continues his duties as managing director of the Hong Kong office.

While APRO is expanding and has representation in key Pacific Rim countries, the firms are relatively small, contact between firms is just starting, and little business is referred. Johnson's goal is to "transform this region into the leading Horwath network. My benchmark was what Ely had accomplished with the Latin American region. He set the example of best practices regarding how to build and maintain a region."

For his part, Graciá is delighted to leave the Asia Pacific region in capable hands, to reduce his travel schedule, and to resume his duties as chairman of HHI's travel and tourism committee and director of the Horwath Latin America and Caribbean region.

## **Juan Seif brings a South American influence to the presidency**

Watching over HHI's regionalization in Asia is an individual who has been instrumental in creating Horwath's first region in Latin America and the Caribbean: Juan Seif. Seif assumes the presidency of HHI from Lord Hirshfield in 1984, bringing with him nearly 30 years of experience as an influential member of Horwath.

Born into a well-known professional family in Budapest, Seif enters Pazmany Peter University to study economics. World War II interrupts his studies. To earn a living, he takes various jobs in the hotel business, from restaurant busboy to assistant hotel manager. He also manages to obtain two degrees from the Hungarian Hotel and Restaurant Technical School.

In 1946, with World War II at an end and the Communist regime emerging, Seif leaves the country, travels to Paris where one of his sisters resides, and applies for a visa to the U.S. where another of his sisters lives. She and her husband own and manage a hotel on Madison Avenue in New York.

Seif hadn't expected a long wait to get into the U.S., but it has been over a year and still there is no word on his visa application. Meanwhile, he has become friendly with the Venezuelan consul, whom he met at a reception. The consul suggests that Seif consider moving to Venezuela rather than waiting indefinitely for a U.S. visa.

All Seif knows about Venezuela is the name of the country, but after doing some research, he opts for this destination. The Venezuelan embassy arranges for Seif to receive a transit visa through New York to Venezuela. Seif spends a few months in New York and then departs for Caracas. With little money and no Spanish, he is unsure of just what to expect. Fortunately, his misgivings are short-lived. He finds Venezuela to be a beautiful and welcoming country and decides to stay. He secures a job as head receptionist at Caracas' top hotel – the Majestic.

Within two years, Seif becomes a citizen of Venezuela. Ironically, the following month, he receives his (now unneeded) visa to the U.S.A. With his local work experience and growing fluency in Spanish, Seif moves to the Banco Union and within a year becomes head of the foreign department. While working at the bank, Seif completes advanced accounting studies by correspondence from La Salle University in Chicago.

In 1952, Seif leaves the bank to start his own bookkeeping/accounting firm, which soon becomes successful. Meanwhile, he continues his studies

at the Universidad Central de Caracas, from which he graduates as a certified public accountant.

As Seif continues building his new business in a new country, he receives a telegram from Fred Mino, managing partner of the New York office of Horwath & Horwath, requesting his assistance. Seif had met Mino in New York before his move to Caracas. Seif's sister, recently widowed, was finding it difficult to manage the hotel she owned and was thinking of selling it. She decided to contact the "industry expert" – Horwath & Horwath. Fred Mino met with Seif and his sister and subsequently arranged the sale of the hotel. Seif and Mino worked well together during the selling process.

Now, Mino is asking for Seif's assistance. Mino was responsible for setting up the accounting system for Caracas' newest and largest hotel. Never having worked in Venezuela before, Mino is hoping that Seif can provide assistance.

Seif proves to be most helpful during the assignment and, when Mino returns to the U.S. two weeks later, he leaves Seif in charge of monitoring the system. A month later, Mino returns and finds everything working smoothly. He subsequently asks Seif to assume responsibility for the long-term supervision of the accounting system. He also invites Seif to Chicago to meet several other Horwath & Horwath partners and discuss a cooperative working relationship for the future.

Two years later, Seif becomes the first Horwath & Horwath representative outside of the U.S. His ambitions are not confined to Venezuela. As the first Horwath & Horwath client in Venezuela opens additional hotels in major South American cities, Seif follows, helping to develop and install accounting systems in each locale.

Within only a couple of years serving as the H&H representative in South America, Seif is generating more fee volume through Horwath than he is through his local firm. When H&H proposes a partnership with his firm in 1956, Seif happily agrees and Horwath & Horwath, Venezuela is established. Like Mino, he is now one of the hotel industry experts.

Seif's involvement with the international expansion of Horwath & Horwath is just beginning. He meets several times a year with Ivan de Naray, managing partner of the Miami office of Horwath & Horwath, who is responsible for South American operations. At one such meeting, de Naray reveals his dream of building an international arm of H&H. Seif is quickly on board and the two start to brainstorm the idea. They draw more and more partners into these discussions, culminating with the creation of Horwath & Horwath International Associates in 1960.

At the annual partners' meeting where HHIA is launched, Seif joins a committee with responsibility for securing representation agreements for HHIA in countries around the world. Along with de Naray, who chairs the committee, the two men often travel together, seeking firms that will meet Horwath's exacting standards. South America is the first target area and within a few months, the second member of Horwath & Horwath International Associates is established in Argentina.

De Naray, Seif and the other members of the search committee know that to convince the skeptics among the Horwath & Horwath partnership that global expansion is the right course of action, they have to be timely and effective in establishing an international network.

The search committee's quest takes them not only to South America, but also to Asia, the Middle East, and Europe. At an international accounting conference at the Waldorf Astoria in New York in 1961, de Naray and Seif strike up a conversation with an accountant from France. The acquaintance is Baron Ferdinand Angleys, a lawyer and accountant who has co-authored the valued book, *Financial Analysis and Management*. He is also the managing partner of a public accounting firm in Paris. Baron Angleys and his highly regarded firm sign on with HHIA.

Successes like this – and the commitment of the search committee – soon convince the partners of Horwath & Horwath that HHIA will succeed. Seif continues playing a strong role in that success. When HHIA establishes an executive council in 1965, Seif becomes one of its first members. Two years later, when the position of vice-president is established, Seif becomes HHIA's first vice-president.

He continues supporting and expanding the international network. In 1984, he succeeds Lord Hirshfield, becoming the fourth president of Horwath & Horwath International. He plans to consolidate the existing framework, continue expansion into more countries, and increase business referrals. During his four-year term, he accomplishes all of his priorities and hands over a thriving organization of 203 offices in 81 countries to his successor.

### **Travel and tourism consulting takes hold in Asia Pacific region**

From 1980 to 1995, tourism in the Asia Pacific region is rising faster than any other region in the world – by an average annual rate of 10 to 15 percent. The industry is fueled by strong economic growth, increasing disposable income, more leisure time, political stability, and promotional efforts.

The effects of this acceleration are felt as far away as the U.S.A. Laventhol & Horwath's travel and tourism consulting business is becoming increasingly multinational, with numerous clients building properties and launching operations in the Asia Pacific region. Pete Peters is the consulting director for the western region of Laventhol & Horwath, and a member of HHI's international hotel and tourism committee. He is also responsible for the blossoming work in Asia. He and his colleagues realize that the firm needs a permanent presence in the region to sustain and develop business.

A graduate of the hotel school of Michigan State University, Peters began his hospitality career managing officers' clubs in the Navy. He joins Laventhol & Horwath in the 1960s and works on increasingly sophisticated consulting projects, contributing to the growth of L&H's consulting practice.

As that practice expands overseas to Asia, Peters champions the formation of a Horwath Asian consulting firm. He travels among HHI member firms with interests in the area, addressing their goals and concerns – and develops the framework for Horwath Asia Pacific, a consortium of Horwath consulting practices from the U.S., U.K., Australia, and Asia – all of whom wish to be part of the expanding Asian hotel and tourism sector.

With the blessing of HHI executive council, and the new title of managing partner of Horwath & Horwath Asia Pacific, Peters packs a couple of bags and heads to Hong Kong in 1987. He shares office space with colleague Ely Graciá, the new regional director of the Asia Pacific Regional Organization. As Graciá begins to restructure the region, Peters begins to establish a base for HHI's hotel, tourism, and leisure consulting practice.

Before returning to the U.S. in 1992 to launch the Horwath Hospitality Consulting network, Peters grows Horwath & Horwath Asia Pacific into a prosperous consulting firm of 12 Hong Kong-based professionals and initiates projects with hotels, developers, lenders, investors, governments, and corporations. Peters personally trains most of these professionals in the respected HHI method of conducting hotel feasibility studies. He also launches the first of many acclaimed hotel studies to be developed in that region: the annual Horwath *Hong Kong Hotel Study*. Peters raises Horwath's profile as a champion of the Hotel Investment Conference Asia Pacific, which becomes the most important gathering of hotel investors, financiers, and industry professionals in the region.

Peters leaves Horwath Asia Pacific in the capable hands of Robert Stiles and heads back to the U.S.A. to further develop the national tourism consulting practice.

## **Brian Lait: the external president**

By the late 1980s, as Juan Seif nears the end of his term as president of HHI, executive council discusses the possibility of going outside the organization to search for his replacement.

HHI has become one of the largest accounting associations in the world and has ambitious plans for the future. Executive council decides that this is the right time to bring in an external leader with experience in the global marketplace and fresh insights from other organizations.

Brian Lait is just such a person. Born in the U.K., he has his certified public accounting designation from that country and is a former partner of a “big eight” firm where he worked for many years in overseas offices, including Spain, Belgium, and Hong Kong. He is fluent in English, French, and Spanish – and conversant in Portuguese. He has a warm, understated personality, strong managerial capabilities, and a talent for dealing respectfully with people. He is also a sharp, analytical thinker who communicates his opinions clearly. Lait understands the accounting profession and, more importantly, the significance of international business.

In his first meeting as president/CEO of Horwath & Horwath International at the October 1988 executive council meeting in Auckland, New Zealand, Lait describes the experience as “a 'baptism by fire' in that I was an outsider stepping straight into significant HHI events without so much as a rehearsal or the help of a kind prompter in the wings.”

Thus Lait sets out to familiarize himself quickly, systematically, and thoroughly with the HHI organization, its people, problems, capabilities, and clients. Within a few months, Lait visits eight countries in the Asia Pacific region and seven countries in Europe, talks to hundreds of HHI partners and staff members, and attends dozens of meetings.

Lait may be the right man in the right place, but apparently it is not the right time. While he produces a number of reports with insightful findings and perceptions about HHI, his recommendations are not unanimously well received. With council members disagreeing on a number of management and strategic recommendations, the relationship between HHI and Lait is cancelled in May 1990. While a number of those who have been working closely with him, including COO Werner Rotach, regret his departure, the “external experiment” does not produce the hoped-for results.

## **Branding Horwath**

In the 1980s, the marketplace is awakening to the value of brands – and how a particular brand and image can mean the difference between success or failure. This creates a conundrum for Horwath & Horwath International: how to create a common brand for an international association of dozens of independent firms, each operating under its own name.

In fact, president Ivan de Naray had recognized the importance of branding back in 1960, when he wrote to all of the partners, "...it is always a matter of prime insistence that the organization and subsequent expansion of our overseas business and of our offices be under our name, Horwath & Horwath. Operating under a different name or being casually represented by another firm ...precludes the international advertising value and reputation of our firm."

Some years later, headquarters provides members with letterhead featuring the HHIA logo to promote a more uniform image, but it wouldn't be until 1980 that executive council felt it was time to urge members to adopt the Horwath name.

By now, it is apparent that the marketplace thinks of Horwath & Horwath International as a conglomerate of individual firms. This is a handicap among the growing number of multinational prospects and clients who want the clarity and simplicity of dealing with a single organization. To optimize HHI's position and strengths, it needs to present a unified image.

There are several challenges to requiring member firms to adopt the Horwath name. First of all, some countries have legal or professional requirements specifying that the names of public accounting firms must reflect their partners' names. As well, some HHI members are concerned that a name change will negatively impact local awareness they have developed over many years. Despite such reservations, however, the market dictates the need for a change.

HHI urges members to add "Horwath" to the names of their firms. As jurisdictional restrictions ease, and as members begin to benefit from the Horwath brand, the number of firms adopting the name gains momentum.

While member names gradually become more consistent, the way in which each firm visually depicts the Horwath name varies as widely as the number of firms, most of which use their traditional graphic identities. A consistent brand remains an elusive goal.

Thus in 1986, HHI engages outside professionals to interview members and determine how they view Horwath & Horwath International, as well as their own roles in the organization. The resulting observations make it clear

that there are widely diverging opinions – and it is up to HHI to assist in clarifying the picture.

Member firms need guidance to manage the communication of the Horwath brand. With the name of the organization simplified to “Horwath International” in 1989, HI distributes a comprehensive brand manual that showcases the special characteristics of Horwath. Members are pleased to receive a sophisticated package that equips them with tools and examples to develop their own impressive Horwath brand of marketing materials.

The results are immediate and positive. Not only do HI members begin presenting a unified image through print materials, but the visual reinforcement in turn reinforces their own perceptions of the value of being a Horwath member. Increasingly, they proudly proclaim their HI affiliation. Most important, the marketplace now understands Horwath International to be a strong, single association of independent firms.



*The Rt. Hon. The Lord Hirshfield, managing partner of Horwath Hesketh Hirshfield & Co., and host of the 1973 HHIA annual meeting in London, leads the band of the Grenadier Guards of Buckingham Palace to close the conference.*



*The Right Honorable The Lord Desmond Hirschfield joined Horwath & Horwath International Associates in 1962 when his firm became the London, U.K. member of the association. He became president of Horwath & Horwath International Associates in 1978 and expanded the global network to 70 countries.*



*Edward (Teddy) Langton (right), managing partner of Horwath's U.K. member firm, joined the executive council of Horwath & Horwath International Associates in 1975 and became director of the European region (ERO), guiding its growth for the next seven years. At the 1980 annual meeting in Rio de Janeiro, he enthusiastically greets Lord Desmond Hirshfield, HHIA president. Beside Lord Hirshfield is his wife, Lady Bronia, and next to Teddy, his wife, Joy.*



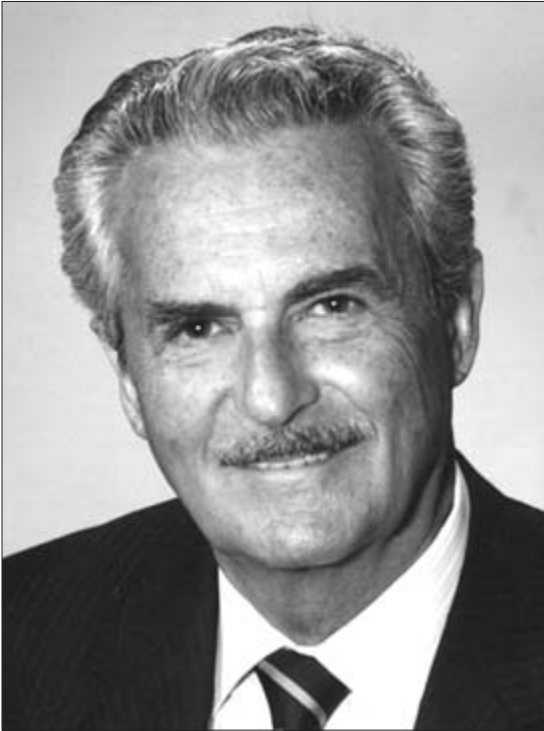
*(From left) Attending a meeting of the Latin America and Caribbean region (ORLA) in 1982 in Mexico City are ORLA regional director Eliberto Graciá; David Goldberg, HHI executive vice-president; and Germán Maldonado, managing partner of Rocha y Maldonado of Mexico City and ORLA president.*



*Victor Seidman, vice-chairman of Laventhol & Horwath and managing partner of the firm's New York office, became president of Horwath & Horwath International Associates in 1974, succeeding Ivan de Naray.*



*Close relationships among Horwath colleagues often begin at annual meetings like this one in Rio de Janeiro in 1980. Werner Rotach (front seat on left) of the New York office of Laventhol & Horwath, enjoys some sunshine and camaraderie with several partners from the HHI member firm in Rome and their wives (from left): Massimo de Rosa, Amedeo Vitucci, Marco Bomgiovanni, Anna de Rosa, Maria Sarno (standing), Aldo Sanchini, and Fiorella Vittucci.*



*In 1984, Juan Seif assumed the presidency of Horwath & Horwath International from Lord Desmond Hirshfield – 31 years after becoming Horwath & Horwath's first representative outside of the U.S.*



*Pete Peters, managing partner of the western region hotel consulting division of Laventhol & Horwath in the U.S., travelled to Hong Kong in 1988 to launch Horwath & Horwath Asia Pacific. He returned to the U.S. four years later to help establish Horwath Hospitality Consulting in that country.*



*Alan Johnson, managing director of Horwath & Company, Hong Kong, became director of the Asia Pacific Regional Organization (APRO) in 1989 and chairman in 2000, guiding the region's entry into Mainland China.*



*Since joining Horwath & Horwath International in 1978, Sotero Peralta, managing partner of Peralta y Asociados of the Dominican Republic, has made ongoing contributions to the international network, including serving on the executive council and the board of directors, as chairman of the Latin America and Caribbean region, as a member of the strategic planning task forces, and on numerous regional and international committees.*



*Ivan de Naray, the first president of Horwath & Horwath International Associates, recognized the importance of branding. Beginning in 1970, the association encouraged members to use this logo.*



*This graphic, representing the Horwath brand from 1989 to 2003, portrayed value (background of waves from a bank note), personal attention (Horwath signature) and direction (compass).*



## Chapter 7

# 1990 | A Seismic Shift

*“What do we do now?”*

*Werner Rotach  
CEO, Horwath International, 1990*

### **Troubled waters ahead**

The collapse of the Soviet Union and the end of the Cold War with the U.S. herald the arrival of the 1990s. The rise of democracy and capitalism begin to shape the decade while personal computers drive the development of information technology around the world. These good omens, unfortunately, do not signify what is ahead for Horwath International this year...

The 1980s have been good to Horwath. The organization has members in 68 countries, more than 240 offices, a reliable infrastructure, effective regional organizations, established professional development programs, and a series of respected publications. In addition, the Horwath name is now recognized in the world's important markets.

On May 1, 1990 it therefore seems fitting to welcome a new CEO to build on this platform and to lead the organization toward the new millennium. At a meeting in Hong Kong, the executive council welcomes Werner Rotach as the new CEO of Horwath International.

### **Werner Rotach becomes HI's first CEO**

It seems that fate stepped in to launch Werner Rotach's career with Horwath.

Newly graduated with a degree in commerce and the ability to speak German, French, and some English, Werner Rotach leaves his home town of Herisau, Switzerland to experience the world. He heads first to London where he studies and improves his English.

With a business education, travel experience and language skills, he secures a job as an investment banker in Geneva. But, as fate would have it,

just a week before he is to begin his new position, Rotach has a bad skiing accident. Needing several weeks of recuperation, he is unable to assume his new responsibilities.

It seems that fate has something else in mind. A few weeks later, Rotach finds another position in Geneva – at an American duty-free company. Here, Rotach gains work experience, practices his English and polishes his French.

The company has operations all over the world and Rotach is responsible for the accounting requirements of 15 European subsidiaries. Working closely with the chief financial officer, an American certified public accountant, Rotach learns U.S. accounting and auditing methods. He also learns about American-style technology systems when he begins to spend time with Bob McCarthy, director of the management advisory services division of the New York office of Horwath & Horwath, who is working at the duty-free company on a temporary assignment. The two men become friends and Rotach expresses a desire to some day work in the U.S. and learn more about American business and accounting.

Rotach had visited New York on a business trip and while he was there, investigated visa and educational requirements. He knows that the U.S. will not recognize his Swiss diploma and that if he wishes to sit for the accounting exam he will need an American university degree. He also knows that having a job to go to in the U.S. is a requirement for a visa.

Bob McCarthy arranges an interview for Rotach with Ivan de Naray the next time he visits Geneva. De Naray is eager to expand Horwath's international capabilities and is always looking for bright professionals from other parts of the world to work in the firm's New York headquarters.

Fortunately, the interview with de Naray goes very well. The two men hit it off immediately and a few days after the meeting, Rotach receives a job offer.

The time is right. Only a few months previously, Rotach had married Barbara Dimitroff. Barbara, a U.S. citizen, is studying and working in Geneva while her father, a Harvard mathematics and astronomy professor, is on sabbatical leave visiting observatories around the world.

In October 1964, Rotach and his new wife set off for New York. The couple finds an apartment in Manhattan, within walking distance of the New York office of Horwath & Horwath.

With his U.S. work experience now underway, Rotach addresses his next priority: to become a certified public accountant (CPA). He joins Pace University, which offers evening and weekend courses. Four years later, after completing a full complement of courses by attending school and studying virtually every night and weekend, Rotach receives his degree. He then immediately passes the certified public accounting exam. With four years of

work experience at Horwath, he now qualifies for the coveted CPA designation. Rotach has already achieved the two goals he set for himself when he left Geneva four years earlier.

Working principally on hotel audits, Rotach rises through the ranks to become a manager. In 1972, Victor Seidman, managing partner of the New York office of Laventhol & Horwath, asks Rotach if he would be interested in working on the audit for one of the world's largest shipping companies with operations spanning Africa, Europe, the Middle East, South America, the Caribbean, and Australia. The company is registered with the U.S. Securities and Exchange Commission and is therefore subject to SEC rules.

The assignment represents HHIA's largest international referral. This is a demanding project, not only because of the size of the client's operations, but also because it is a joint engagement between the New York office of Laventhol & Horwath and the Israeli member firm of Horwath & Horwath International Associates. Leading the work from Zurich, the location of the client's administration office, Rotach, along with his counterpart in Tel Aviv, Ahron Fass, will have to travel to the company's widely dispersed locations.

Victor Seidman puts Rotach in touch with myself (Fernando Seglias) and my partner, Ruedi Fleischmann, to assist with the work to be carried out in Zurich. This assignment is an important business opportunity for us because we are just starting to develop the international base of our firm. It is also an important educational opportunity since this is HHIA's largest engagement subject to SEC rules. With our sketchy knowledge of U.S. audit methodologies and SEC rules, we have to quickly learn the intricacies of the regulations and international standards, and assist Werner Rotach and two supervisors from the New York office.

All of us work very hard for several weeks. I arrive at my office at 7 a.m., spend two or three hours, then head to a bank to work on that client's audit, then travel to the shipping company's office at 5 p.m. and assist with that audit until about 11:00. On weekends, we all work from early morning until late at night for this client. During the engagement, we take only one Sunday off. Rotach and the two American supervisors drive up into the mountains, returning Monday morning with sunburns – and renewed energy. While it is definitely challenging work, the client is pleased and we continue to work with the company for five years – until, unfortunately, a serious oil and shipping crisis leads to its demise.

We all enjoyed the experience of working together so closely and with so much intensity. Striving to achieve a common goal within a pressured timeframe, we learned, shared, and cared about one another and our client.

The engagement also proves to be a notable success for HHIA and for Rotach. The assignment calls upon all of Rotach's accounting, business, language, and diplomatic skills – and solidifies his reputation among his Horwath colleagues as an expert on complex international engagements.

He continues to develop his international expertise. In 1975, Rotach becomes a partner of Laventhol & Horwath and starts attending annual meetings of Horwath & Horwath International Associates. Three years later, when the international accounting and auditing committee is established, Werner Rotach becomes its first chairman.

Rotach's ability to get things done efficiently and effectively is noted by Horwath & Horwath International president Lord Desmond Hirshfield. In 1981, he asks Rotach to assist with the coordination of the international committees. With committee members from a wide range of countries and HHI administration straddling London, New York, and Philadelphia, Lord Hirshfield needs someone with strong coordination, communication, and relationship-building skills.

Rotach proves to be up to the task – and more. The following year, Lord Hirshfield asks him to step into the new role of chief operating officer. Over the next eight years, Rotach meets virtually every partner of the organization as he travels to Laventhol & Horwath and HHI offices around the world. He also works with a series of HHI presidents: Lord Hirshfield, his successor Juan Seif, and Seif's successor Brian Lait.

Considered dedicated and trustworthy, Rotach earns the respect of both presidents and colleagues and is often the “go to” person when sensitive issues arise. He is perceived to express clear, fair opinions and is also a persuasive proponent of ideas he values. These will all prove to be valuable characteristics during the tumultuous times ahead.

### **Questions circulate at the 1990 annual meeting**

The Horwath International annual meeting of 1990 is a glittering affair at New York's famous Waldorf Astoria Hotel. Two hundred and fifty partners from 45 countries attend the event – quite a contrast to the group of 12 at the international association's first meeting in 1964.

It is an inspiring occasion for Werner Rotach, who presides over the first annual meeting in his new role as CEO. Yet along with the words of congratulations his colleagues impart, many also have questions for him – worrisome questions about Laventhol & Horwath.

In fact, the entire accounting profession is feeling apprehensive right now. Several U.S. accounting firms, including Laventhol & Horwath, are dealing with multimillion dollar lawsuits. Accountants are being blamed for

failing to detect and report financial problems, and insurance costs are skyrocketing.

The previous year, the U.S. General Accounting Office released a report concerning the performance of the auditors in a sample of failed savings and loan institutions. While the report recognized that a number of factors contributed to the failures, it listed as one possible factor the failure of certified public accountants to properly audit the institutions and to report significant financial problems.

This situation adds more fuel to the fire. The accounting profession is facing serious legal exposure under the "joint and several" liability rule. This rule enables plaintiffs to collect all or part of the damages from any defendant found liable, regardless of the defendant's proportionate fault. Thus, in the case of an accounting firm, all partners could be liable for damages caused by one.

As judges and juries become increasingly sympathetic to the plight of investors and creditors and lawsuits mount, accountants not only in the U.S. but also around the world wait uneasily. There's a lot at stake: claims against accountants for alleged audit failures are reaching tens of billions of dollars.

Only two days previously, however, George Bernstein, chairman of HI and former managing partner of Laventhol & Horwath, had reported to executive council that the situation was under control and the firm was carrying on business as usual. L&H had already paid out settlements for a couple of court cases and was facing additional lawsuits, including one for \$184 million by donors to PTL ministries (formerly run by televangelist Jim Bakker, now in prison for fraud).

Despite this situation, Bob Levine, Laventhol & Horwath's current managing partner and incoming chairman of Horwath International, had reassured council members that the confidence of Laventhol & Horwath partners remained stable and the damage control program was starting to show results. He indicated that a rigorous risk management program had been instituted to minimize losses by eliminating risky clients while introducing better discipline and a revised audit approach.

Paul Hipps of Stoy Hayward in the U.K., an executive council member, supported Bernstein and Levine's reassurances to council. He and Philip Sober, director of the European Regional Organization, had recently visited several of the U.S. offices to personally review the litigation situation. Both expressed their confidence in Laventhol & Horwath's management of these matters.

To respond to the questions swirling around the annual meeting, Levine addresses HI partners at the business meeting. His comments are in line with a memo he had sent to the staff members of Laventhol & Horwath on

October 2 reassuring them that “I am looking forward to the prospects for our future. While many changes will occur, I believe we have the talent, resources and vision to compete favorably and profitably.” While the partners attending the HI annual meeting are not familiar with the details of Laventhol & Horwath's problems, they are relieved to hear that the issues are being dealt with and that all seems to be under control.

Unfortunately, things are not always as they seem.

### **A black day for Laventhol & Horwath**

Two days before a Laventhol & Horwath partners' meeting scheduled for November 17, 1990 at the Houston Airport Marriott hotel, Werner Rotach is in Munich attending an accounting and auditing meeting for the European Regional Organization. He had invited Edward O'Grady of the Philadelphia office of Laventhol & Horwath, who is the national accounting and auditing partner, to introduce HI's newly updated *Audit Manual* to participants.

While the HI rumor mill continues to raise questions about serious problems for Laventhol & Horwath, George Bernstein and Bob Levine had assured Rotach and O'Grady before they left for Europe that the situation was improving and they would overcome their problems. They encouraged them to attend the meeting in Munich rather than the Laventhol & Horwath partners' meeting.

The accounting and auditing meeting goes well and Rotach flies to Zurich to provide support to local member firm, Horwath Treuhand & Revisions, which will be signing a merger agreement with another firm in a couple of days.

Rotach wakes with a start in his hotel room in Zurich. Something is ringing. He glances at the alarm clock to find that it is not even four o'clock on a Sunday morning. It's the telephone.

The voice at the other end of the line is that of Ed Abate, a Laventhol & Horwath partner and a neighbor of Rotach's. Abate has just left the Laventhol & Horwath partners' meeting in Houston. The news is not good.

Abate relates Bob Levine's address to the partners and the challenge they face: you have to find a way to travel 200 miles with a car that goes 19 miles to the gallon and has 10 gallons of gas. You do what you can, lightening the load, coasting down the hills. But it isn't enough. You just don't have enough fuel to make it those 10 extra miles. And that's the situation we're in.

Levine outlined Laventhol & Horwath's options to the partners: the most viable alternative to save the firm by dealing with pending lawsuits was for

each of the 350 partners to pay \$50,000, for a total of \$17,500,000. This option, however, was not a guarantee that the funds would be sufficient to solve the problems.

Following intense discussions, Levine poses the question: those in favor of paying the extra funds, raise your hand.

Not a single hand is visible.

The weight of its liability burden proves to be too heavy. Seventy-five-year-old Laventhol & Horwath, the seventh largest accounting firm in the U.S., with 350 partners and 3,400 employees – has arrived at the end of the line.

The fallout is just beginning.

## **Fighting fires**

Ed Abate finishes recounting to Rotach what transpired at the Laventhol & Horwath partners' meeting. Both men take deep breaths. Now what?

In quick succession, Rotach feels shock, disappointment, and anger. How could this happen? Had Bob Levine and George Bernstein not seen the reality? Or did they not want to face the truth? What will happen to Horwath International? What liabilities do we face? How do we deal with unpaid invoices? How will we finance HI? Will members be willing to take over the added expenses to keep the organization operating? Can HI survive this?

After completing his upsetting conversation with Ed Abate, Rotach ponders next steps. He will have to immediately contact key HI members and try to arrange an emergency members' meeting. But how can he get the majority to attend a meeting? How can he encourage them to seek a future for HI without Laventhol & Horwath? How will their clients react to the news of Laventhol & Horwath's demise?

Rotach takes another deep breath and calls Paul Hipps, HI executive council member and managing partner of Stoy Hayward in London, the largest HI member firm after L&H. The two men have worked together on council since Hipps joined two years previously. Rotach is familiar and comfortable with Hipps' competence and leadership ability, his openness and willingness to share. He also knows that Hipps' endorsement is crucial to securing the support of the other HI member firms.

Hipps is just sitting down to his "Sunday egg" when he answers Rotach's call. It is a gloomy morning in both Zurich and London. The day befits the news.

Hipps also reacts with shock and anger. It is almost unimaginable that this would happen only a few weeks after the senior executives at Laventhol &

Horwath uttered reassurances that the situation was under control. But there is no time to point fingers. Immediate damage control is essential.

Hipps agrees with Rotach that an urgent members' meeting is necessary; he offers to host the meeting in London – a convenient destination since the city has direct flights from most of the world's key centers. They agree to plan an extended meeting of HI executive council for Saturday, December 1. This gives them less than two weeks to personally contact the major member firms and convince them to attend this critical session.

Meanwhile, Rotach must find answers to all of the questions he, Hipps, and the other executives of HI's member firms will have. And he must develop a financial plan that they will find palatable – the first in a long series of plans, trips and meetings to put out the fires lit by the fall of Laventhol & Horwath.

The following day, Rotach meets with Ruedi Fleischmann and myself (Fernando Seglias) of Horwath Treuhand & Revisions, since we are on the verge of signing a merger agreement with a larger local firm. Rotach describes recent events and outlines the preliminary action plan. Of course, we are committed to doing what we can to save HI, since the association has proven to be a valuable asset to our firm.

We all feel that if the largest European member firms of HI, especially those in London, Sweden, Ireland, Germany, and France are willing to retain their membership, there will be a good chance to overcome this loss and to rebuild the association.

Now we have to convince others to support this effort. We meet with president Lelio Vieli and CEO Giancarlo Cappello of our prospective merger firm to explain the current situation as best we can. While concerned about a range of issues, especially liability and financing, they like the answers they receive from Rotach. Vieli compares HI to a tennis club that loses a good member. While the club would suffer a loss, it would carry on because there are many other strong members. Two days later, Vieli and Cappello sign the merger agreement.

After saving our merger in Zurich, Rotach flies to London to work out an action plan with Hipps. Perhaps more than any other member of the Horwath network, Stoy Hayward will most feel the loss of Laventhol & Horwath. With many similarities in their countries' economies and legal environments as well as a common language, the U.S. and U.K. firms had worked together on a variety of assignments. Despite this, they hope that Stoy Hayward will continue with HI because there is so much value in the organization, including many committed members. While Laventhol was an important partner, Stoy also has close relationships with several of HI's European members. Hipps feels these relationships are too important to lose.

He also believes that despite the negative implications of the demise of L&H, most members are likely to support HI.

Rotach arrives “office-less” in New York on Tuesday, November 22. He and the three administrative staff members employed by HI had been sharing space with Laventhol & Horwath. Where can they go? There's some cash in the bank, but is he allowed to use it? Moreover, if HI does not survive this, what liabilities could he face?

Werner Rotach is a professional who can see the risks. But he's also an entrepreneur and knows that without risk, there will be no success. Most important, he has faith in the HI people he knows, especially those with whom he has spoken in the last couple of days.

And so, without knowing exactly how he will pay the rent, Rotach finds an accommodating law firm to provide urgently needed space and arranges to move employees and files as quickly as possible.

Then Rotach gets back on the phone, calling the partners in charge of every firm in the HI network to explain – again and again – what has happened and what he feels they need to do. Fortunately, during his years working with so many HI partners, he has earned the trust of these colleagues. Those he speaks with know that he will be honest and forthright with them.

One by one, he urges each to attend the meeting planned for December 1. One by one, the partners show their confidence and faith.

## **Determining HI's fate**

At 10:15 a.m. on December 1 in the London office of Stoy Hayward, 27 HI partners gather. They represent 19 countries: Argentina, Australia, Austria, Brazil, Canada, France, Germany, Hong Kong, Ireland, Israel, Italy, South Africa, Spain, Sweden, Switzerland, the Netherlands, the United Kingdom, Venezuela, and from the U.S., Ely Graciá, the Miami-based director of the Latin America and Caribbean region. This is an impressive showing of HI's strength.

It is also somewhat surprising to Werner Rotach. When he started making his bad-news calls two weeks earlier, he had expected many of those with whom he spoke to express doubts about HI's future.

Yet here they were – 27 senior or managing partners from 18 firms, greeting each other not with the question “will HI continue to exist or not?” but rather with “what can we do to ensure that HI survives?”

Eight of the 13 executive council members are also present. Three of the absent members are from Laventhol & Horwath. While L&H's legal position

as a member of HI is yet to be determined, Hipps and Rotach had contacted the U.S. council members to advise them of this meeting. None attend.

Paul Hipps, who chairs the meeting, warmly welcomes the gathered partners. His presence is a reassuring sign to those present. If Stoy Hayward, which has about 1,800 staff members, elects to leave Horwath International, it would be very difficult for the remaining members to carry on the association.

Hipps begins with good news. Stoy's strategic planning steering group met the previous day and endorsed Rotach's plans to rebuild HI. It also pledged the support of two partners to assist Rotach in his search for new members and his dealings on legal matters.

With Stoy's support affirmed, Hipps immediately outlines the key topics for the meeting: the steps HI needs to take to find alternative U.S. representation, and HI's financial position and provisional budget for 1991.

The group now feels the absence of Laventhol & Horwath in another way. At previous partners' meetings, the U.S. firm typically set the agenda and guided the direction. Now, all of those present understand that their personal involvement and commitment will determine the outcome of this day.

And so, Werner Rotach describes the current status of Laventhol & Horwath to his colleagues. The firm has filed for protection under Chapter 11 of the U.S. Bankruptcy Code, which enables a court to determine the firm's contractual and debt obligations. Since that process could take up to five years, it is difficult to anticipate the likely outcome. HI must look for new U.S. representation.

But what type of representation should that be? The partners discuss the advantages and disadvantages of replacing L&H with a single national firm or a number of local firms based in major cities. In the end, they agree that regional firms – provided they can meet HI's stringent standards – would be a better fit with the HI culture and infrastructure.

Rotach has already taken some steps in this direction. He had approached a number of former Laventhol & Horwath partners whose work he respected and who practiced in key U.S. centers to determine their plans. Most were pursuing positions with “big six” firms, leaving too few to provide HI with the U.S. coverage it requires. He has also identified, however, several prospective mid-sized firms in major U.S. cities. Approaching and vetting these firms will become a pressing priority.

But today, financing is the next major issue to be dealt with. Not only has HI lost its largest member firm and is therefore facing a budget deficit, but it also has extra expenses for travel, legal advice, a move to a new office, and infrastructure changes. Rotach has prepared a new budget to achieve HI's

goals for the year, while being as fiscally conservative as possible under the circumstances. Hoping for the best, and acknowledging that the budget will need refining, he proposes that all member firms pay a special assessment equivalent to the amount of fees paid in 1990.

At previous meetings, budgets and expenses have often faced heated discussion. Not so today. Hipps presents a motion that the proposed budget should be approved as provisional. He also requests that approval be granted for a provisional annual support payment appropriate to this budget, accepting that in four to six weeks this may be refined and the payment requirement changed accordingly. Despite the partners' uncertainty as to how much their investment in HI may ultimately cost, they unanimously vote for both motions.

Alan Johnson, newly appointed director of the Asia Pacific Regional Organization, contributes to the mounting show of support for HI when he reads a fax from the Singapore member firm, whose representatives were unable to attend the meeting, expressing confidence in HI as "a strong and viable international network" and supporting a budget to maintain HI's operations while it seeks U.S. representation.

With the two main tasks for the meeting settled, gaps remain to be filled in HI's governing body. The relevant motions are carried unanimously: Werner Rotach is reaffirmed as CEO of HI, Paul Hipps is elected chairman, and Eliberto Graciá, director of the Latin America and Caribbean region, becomes a member of executive council.

We can assume that if they were alive, Edmund and Ernest Horwath would be appalled to witness the demise of Laventhol & Horwath. At the same time, they would likely be very proud to see the organization they struggled so hard to build into a strong, respected organization carry their name forward. The members of HI are committing their efforts, funds, and time – without guarantee of success. One partner's comment reflects their shared feelings: "We leave this meeting as a stronger organization than when we arrived."

Only one firm leaves the association as a result of the fall of Laventhol & Horwath. All others move forward, together. There may be no other time in the organization's history when the values of caring, sharing, investing, and growing will be more admirably demonstrated.

With fingers crossed and hopes high, the members of HI move forward toward an uncertain future.

## **Accounting profession reacts to Laventhol & Horwath collapse**

The bankruptcy of Laventhol & Horwath represents the largest collapse ever of a professional partnership. More than three thousand and five hundred former L&H employees and partners are suddenly out of work. Some partners manage to retain clients and join other firms or start their own independent firms while remaining personally liable for the claims of the firm's creditors.

In 1992, a federal bankruptcy court approves a plan to collect \$47 million from 629 partners and other professionals of the firm. The assessments, to be paid over 10 years, average \$75,000 per person but go as high as \$400,000. Even retired partners are required to pay large assessments – some being forced into personal bankruptcy.

All former employees lose their health plans and pension benefits. Some with medical conditions find themselves without insurance. Widows and widowers lose pensions. The pain is immense and far-reaching.

What happened? Was it too-rapid growth? Poor monitoring of work? Risky clients? Multimillion-dollar lawsuits? Prohibitive insurance costs? Unwarranted litigation?

According to former L&H CEO Robert (Bob) Levine, quoted in the article, "The liability crisis in the United States: impact on the accounting profession," published in the November 1992 issue of the *Journal of Accountancy*, it had a lot to do with the perception of being a "deep pocket" rather than deficiencies in the performance of professional responsibilities. "It wasn't the litigation we would lose that was the problem. It was the cost of winning that caused the greatest part of our financial distress." According to the article, L&H was, like other accounting firms, included as a defendant because the doctrine of joint and several liability made each defendant fully liable for all assessed damages in a case, regardless of the degree of fault. Therefore, even with no evidence of culpability, a company's independent auditors were almost certain to be named in any action filed against a company alleging financial fraud. This was for no reason other than the perception that auditors have deep pockets, and the appearance that they are the only potential defendant still solvent.

In fact, the result is most likely a combination of all these issues. This deadly combination doesn't affect Laventhol & Horwath alone – it affects the entire accounting profession. These concerns are voiced by Philip Chenok, president of the American Institute of Certified Public Accountants in his book *Foundations for the Future: The AICPA from 1980-1995*: "Laventhol

& Horwath's bankruptcy sent a chill throughout the accounting profession. Suddenly no one was safe. If liability problems had caused the demise of a top 10 accounting firm, what was to prevent the same thing from happening to the sixth largest, or for that matter, the first? The profession recognized that Laventhol & Horwath's bankruptcy was by no means an isolated case of one firm extending itself too far and paying the consequences. Rather, we realized that it was, unfortunately, symptomatic of the problems facing us all.

“Traditionally, the profession required accountants to form partnerships for both financial and legal reasons. While the legal rationale that professionals should take full risks for their work made sense historically, in the current legal environment the broad effects of that argument proved to be disastrous – and likely would again.”

Philip Chenok describes the aftermath: “One immediate result of the Laventhol & Horwath bankruptcy was that accounting firms began to reorganize into limited liability partnerships (LLPs) so that only the partners specifically involved with the wrongdoing would have to use their personal assets to pay any judgments. The firm would be fully liable, but under an LLP the personal assets of partners not involved in the case would be protected.

“In the early days of the profession, firms routinely operated as limited liability corporations, but in 1938 the AICPA's membership voted to prevent anyone affiliated with such a corporation from being a member. The concern was that these accountant-corporations were being formed for personal reasons rather than for the best interests of the public, and that members were concealing their identity behind these corporate shields.

“But by the 1980s, Rule 505, our strict prohibition of professional corporations, had become an anachronism. In fact, we could find no other national professional association that restricted the form in which its members practiced their professions.

“In December 1989, the Institute's board of directors appointed a task force to investigate the form of practice issue and offer its recommendations. The task force found wide support for lifting the prohibition.”<sup>1</sup> With the demise of Laventhol & Horwath adding urgency to the need for change, the Institute repeals its long-standing prohibition in May 1991. U.S. accounting firms move quickly to establish limited liability partnerships and the “joint and several” liability no longer applies. Therefore, while a firm would still be

<sup>1</sup> *Foundations for the Future: The AICPA from 1980-1995*

– Copies pp 26 to 27 received from University of Mississippi Libraries

liable in a lawsuit, the personal assets of partners not involved in litigation would be protected.

The collapse of Laventhol & Horwath has been an excruciatingly painful lesson. The aftermath reverberates around the world.

### **HI seeks new U.S. representation**

Suddenly without 43 offices in the United States, Horwath International is in an extremely vulnerable position. CEO Rotach must act quickly to reinforce the organization's U.S. representation.

Following the direction he received from the partners at the December 1 meeting, Rotach immediately begins researching prospective U.S. member firms. Determined to leave no stone unturned, he contacts every one of the more than 30 candidates on the resulting list. Trying to carefully balance the need to sign up new members with the cautions generated by the Laventhol & Horwath downfall, Rotach conducts extensive discussions and meetings and short-lists 12 candidates.

Partners from the London and Johannesburg firms join Rotach in meeting and assessing several of the candidates. Their support proves to be invaluable in answering the many questions raised about the Laventhol & Horwath relationship with HI - and in providing a personal account of the benefits they receive from their HI association.

New York and Chicago are two important centers for Horwath International and firms in these cities become Rotach's first priority. Not knowing how an approach will be received, Rotach is pleased to find welcoming and interested receptions.

Rotach meets with Stanley Freundlich, managing partner of David Berdon & Co., a thriving New York accounting firm whose roots go back to 1917. The meeting goes well and Rotach moves forward with greater confidence to the next priority: Chicago.

Emilio Castillo, managing partner of Castillo Miranda, HI's member firm in Mexico City, had introduced Rotach some time before to Charles (Chuck) McKenna, a partner in Crowe Chizek and Company, another thriving accounting firm based in the U.S. Midwest with an office in Chicago. The firm's managing partner, Ron Cohen, joins them in New York. Again, the introductions go well. So well, in fact, that Stanley Freundlich and Donald Kahaner from New York, Chuck McKenna from Chicago, and Ron Cohen travel to London in March to attend HI's second extraordinary council meeting.

Members are delighted to hear about Rotach's progress in finding U.S. representation – and to be able to meet these impressive candidates. It has been quite a while since HI partners had some good news. Rotach updates the group on legal and financial matters related to Laventhol & Horwath – and then focuses on the progress in rebuilding HI.

The partners of David Berdon and Crowe Chizek are also obviously impressed with HI. Having provided input into the vision for the development of HI in the U.S., and having met many of the dedicated partners who are part of this association, both firms make the decision to join Horwath International.

The momentum continues. Rotach has also prioritized the major economic centers of Dallas, Los Angeles, and Miami. Assisted by Donald Kahaner of David Berdon & Co., he meets with a number of worthy candidates and soon has more good news for HI partners. Rotach announces that prospective affiliate firms of HI will meet for the first time in New York on May 30, 1991. Within only six months of losing Laventhol & Horwath, Rotach surpasses the expectations of his colleagues by presenting them with not one or two, but five prospective members.

Greeting the 10 managing and senior partners of the candidate firms at the New York Palace Hotel, Werner Rotach is pleased to see how well the group comes together. Assembling five firms with the intent of working closely is a major accomplishment – especially when it happens within six months of a catastrophic event. But motivated they are. The partners of David Berdon of New York, Crowe Chizek of the Midwest, Belew Averitt & Co. of Dallas, Grobstein & Company of Los Angeles and Spear, Safer, Harmon and Co. of Miami, are all enthusiastic about joining HI – and about working together to strengthen and expand the network.

Rotach breathes a sigh of relief and prepares to continue his search for more U.S. members.



*Werner Rotach joined the New York office of Horwath & Horwath in 1964. In 1990, he became CEO of Horwath International, only to be faced a couple of months later with the bankruptcy of its largest member, Laventhol & Horwath. He would ultimately rebuild HI into one of the globe's largest accounting and consulting networks.*

## Chapter 8

# 1991-2005 | Rebuilding

*“Horwath International has welded a truly international network of business experts drawn from the leaders of their professional communities.”*

*Werner Rotach  
Horwath International CEO, 2005*

### **Changes in the profession, changes in HI membership**

The November 1991 Horwath International annual meeting in Cancun, Mexico is a celebratory affair. Ivan de Naray, Victor Seidman, and Lord Desmond Hirshfield – the first three presidents of Horwath International – are here to support their HI colleagues. There are heartfelt reunions, warm welcomes for the representatives of the five newest U.S. member firms, appreciative congratulations to CEO Werner Rotach for guiding HI through turbulent waters, and enthusiastic anticipation for HI's future.

Unfortunately, the celebrations will be short-lived.

While the worst appears to be behind HI, a period of rapid global change continues. As the industrial age yields to the information age, the Iron Curtain lifts.

The reunification of Europe begins when the Berlin Wall falls at the end of 1989. Within a few short months, a completely new political and economic environment opens. Former Communist eastern European countries are eager to develop business with the rest of the world – and the rest of the world is eager to do the same.

Newly liberated eastern European and “Soviet satellite countries” present market opportunities for the western world to explore. While these markets welcome new business relationships, decades of Communist rule have left a chasm between eastern and western economic practices.

Eager to expand its network into eastern Europe, HI must decide how best to approach this challenge. By 1990, HI's European Regional Organization includes members in 23 countries. When entering a new market, while never an easy undertaking, HI has usually been able to find members that meet its cultural and quality criteria. Finding suitable representation in eastern

Europe, however, is more challenging because local firms have been working within a planned economy. The shift to free economy practices will not be easy for them.

At the same time, the U.S. and much of Europe are experiencing recession. The unification of Germany has not proceeded as smoothly as expected; the returns from the massive investments in the country's economy have so far been disappointing.

And there are other developments to deal with. The Treaty of the European Union is signed in 1992. The Treaty provides for a common currency to be introduced to replace national currencies, a central banking system, and expansion of the European Union's political role. Phillip Sober, former managing partner of Stoy Hayward in the U.K. and director of HI's European Regional Organization, begins traveling throughout Europe to assess the impact of these developments.

Sober finds the accounting profession to be experiencing continuing challenges. Demand for consulting services is subsiding after many firms invested huge sums in developing this part of their business. Competition among accounting organizations is increasingly intense and the "big six" drill down into market territory typically the domain of second – and even third-tier – firms. They pursue clients – and often, the firms themselves – in their quest for talent, market share, and growth.

In Europe, the "big six" are on a buying spree, purchasing mid-sized and small accounting practices. Traditionally, many European practices have corporate structures in which profits accumulate to the point where a firm's value becomes so expensive that younger partners cannot afford to purchase shares from departing partners. With deeper pockets, the "big six" capitalize on this opportunity to make inroads into European markets.

This aggressive European accounting environment impacts Horwath International. In 1992, faced with few options, HI's member firm in Sweden merges with one of the "big six" and departs HI. This is a hard blow, since the firm has been a member of HI since 1969 and is one of Sweden's largest. It is also among the network's most active members, responsible for the ERO Gatherings – three-day educational seminars attended each year by more than 60 young partners and managers from Horwath's many European member firms. A comparable replacement in Sweden is simply not available.

Sober continues his search for HI prospects through western Europe. In 1994, however, his work comes to an abrupt halt when Sober's firm, Stoy Hayward, leaves HI. The aggressive merger environment of the 1990s has cast another major blow upon Horwath as its most important ally in rebuilding the organization leaves the network. Unfortunately, this is a side effect of success – the larger and more influential HI member firms become,

the more attractive targets they are to other accounting firms. Stoy's closely allied associate in Ireland also departs.

With about 2,000 partners and staff members, Stoy is one of the U.K.'s largest accounting firms and is HI's largest member firm. This is a painful loss. Under the steady leadership of Paul Hipps, Stoy had supported HI through the fall of Laventhol & Horwath and the rebuilding of HI in the U.S. While there are important economic reasons for the departure, it is no less traumatic.

Changes in membership are a fact of business life. But for HI, which places a premium on the values of caring and sharing, such changes are felt not only professionally, but also personally. The departure of valued colleagues, long-lasting relationships, and cumulative knowledge is one downside of HI's independent, flexible organizational structure. Becoming an HI member is a step upwards, providing a foundation for firms to grow and mature. For some, this will be the only step they need to take. For others, HI will be one step to another platform. The departure of respected firms and partners is a natural occurrence that all must accept. And with these departures, new opportunities arise.

### **Teamwork on HI's largest international engagement reflects HI values**

Just as some relationships come to an end, new ones begin.

In early 1998, HI CEO Werner Rotach and I (Fernando Seglias) meet in Moscow with representatives of our local member firm and partners from our firms in Geneva and Cyprus, to explore ways we might all work more closely together. Following a successful day of discussions and planning, Rotach returns to the hotel. There, he finds an urgent message from senior partner Chuck McKenna of the Chicago, U.S. office of Crowe Chizek.

Rotach speaks with McKenna and learns that a major German manufacturer has just contacted the firm for assistance with a \$500 million acquisition encompassing properties in some 20 countries. The company's chief financial officer contacted McKenna based on an assignment he had conducted for the company in Mexico some months previously. The CFO had been impressed with Crowe Chizek and wants to meet with McKenna to discuss this potential acquisition. The only challenge is that the meeting is to take place two days hence. McKenna needs Rotach's help to persuade the company that Horwath member firms have the capability of undertaking an international engagement of this magnitude.

Rotach immediately cancels his planned trip with me to meet with a prospective member firm in St. Petersburg, Russia and instead, flies to Frankfurt. There, he meets McKenna and Marc Shaffer and the group drives 150 kilometers to meet with the manufacturer's management team.

They want to know about HI's member firms and clients in each country where the potential acquisition has operations. Werner Rotach obliges, discussing the specialties, clients, and particular talents of each firm and describing the closeness and effectiveness of the Horwath International network.

Following the discussion, the management team takes a break, returning after only 10 minutes to inform Rotach, McKenna, and Shaffer that the engagement is theirs. Why such a firm and quick decision? The team is impressed with HI's detailed knowledge of every member and the personal relationships that are integral to the global network.

The next step is to show just how effective this network really is. HI partners from 22 firms who would be working on the engagement meet in Singapore 10 days later, along with all of the client's financial professionals and internal and external lawyers. HI partners from China, Denmark, Finland, Hong Kong, India, Indonesia, Japan, Korea, Malaysia, Nigeria, Philippines, Singapore, South Africa, Sweden, and Taiwan gather and greet one another warmly. They had all met at previous HI gatherings, so their familiarity contrasts sharply with that of the other parties, most of whom are unknown to one another. The client is again impressed with HI's cohesive network.

But there is more to come. Crowe Chizek coordinates every detail of the engagement. Marc Shaffer spends several months in Singapore as "head coordinator" and Chuck McKenna travels among all of the HI member firms involved to ensure timeliness and consistency. The client needs comparable and consistent reports from each locale. HI produces 22 reports under the Horwath brand, each meeting the client's specifications and in exactly the same format and layout.

The largest international engagement ever performed by Horwath International is a major success. And all thanks to the commitment of HI's partners who truly live the values of the organization.

### **Building a reputation for accounting and assurance excellence**

Along with building infrastructure, HI must now focus attention on producing high quality, reliable work to repair any damage caused to its reputation by the demise of Laventhol & Horwath.

With regulators around the world addressing the need for stronger audit and control standards, HI knows that it must not only meet expectations but also exceed them. The international accounting and auditing committee has developed a valued audit manual and a respected peer review program utilized by all member firms around the world.

As accounting and auditing issues grow more complex, however, the need for full-time attention to these important matters becomes apparent. In 1996, HI hires an international accounting and auditing director to consult with HI members on accounting, auditing, and Securities and Exchange Commission matters, and to conduct quality and peer reviews.

A well-known and respected professional, Julian Jacoby, brings more than three decades of experience to HI. Formerly an audit partner and regional accounting and auditing director in the New York office of Laventhol & Horwath and a regional accounting and auditing partner with a national firm, Jacoby plays an active role in the accounting field. He has chaired the ethics-technical standards committee of the American Institute of Certified Public Accountants and the auditing standards committee of the New York State Society of CPAs. He has served on other AICPA and State Society committees, including the AICPA-SEC regulations committee. And he has been an adjunct professor at Pace University in New York.

Jacoby shares impressive credentials, a solid track record, and plentiful resources with his colleagues in HI. As the author of a risk-based approach audit manual adopted by more than 35 firms, he soon inaugurates his HI colleagues into a strong accounting and auditing discipline. Jacoby develops and implements rigorous training seminars, review programs, and technical manuals that assure the network of HI firms of the quality of their own work and that of their peers. He also serves as a knowledgeable resource, able to interpret and provide wise counsel on the evolving complexity of international accounting and auditing issues.

As the 1990s come to a close, Jacoby has his work cut out for him. A financial crisis begins in Thailand in 1997, spreading rapidly to Indonesia, Malaysia, the Philippines, and South Korea. The crisis spotlights the quality of financial reporting and auditing. Governments and regulators push for the development of international standards to ensure the credibility of financial information and to stabilize the global economy. The accounting profession is challenged yet again to play a more active role in strengthening accountability and transparency around the world, and to harmonize accounting standards.

Compounding the challenges are allegations of financial reporting fraud at U.S. public companies Enron and WorldCom in 2001. The same year, the International Accounting Standards Board is established. This is the first

independent international standard-setting body. Around the same time, the International Federation of Accountants establishes the Forum of Firms and transnational auditors committee (TAC), and the International Auditing and Assurance Standards Board – all with the intent of elevating audit quality internationally.

On July 30, 2002 U.S. President Bush signs into law the *Sarbanes-Oxley Act*, which mandates reforms to enhance corporate responsibility and financial disclosure. It also creates the Public Company Accounting Oversight Board to oversee the auditors of public companies.

With the foresight to anticipate the growing complexity of accounting and assurance matters, Horwath International has put into place the systems and professionals that will earn the confidence of peers and clients.

### **North American region takes shape and HI moves into “top 10”**

In 1992, the U.S., Mexico, and Canada sign the North America Free Trade Agreement (NAFTA) to encourage the flow of goods and services among their countries. While Mexico shares close linguistic and cultural ties with Latin America, it is more closely linked professionally and economically with the United States. Canada and the U.S. are the largest trading partners in the world and share the same legal, accounting, and auditing systems.

With their respective countries encouraging greater trade, HI's American, Canadian, and Mexican member firms determine that this is also the right time to establish a regional organization within HI.

For the first few years after joining Horwath International, the five new U.S. member firms had focused on becoming familiar and comfortable with their new international association. By the mid 1990s, however, these firms have established themselves within the association and their numbers have expanded to include seven firms and 20 offices in the U.S., along with six firms in Canada and Castillo Miranda in Mexico.

Under the leadership of managing partner Emilio Castillo, Castillo Miranda has grown to about 250 partners, professionals, and other staff members. Castillo is eager to continue expanding the firm's international business.

Emilio Castillo is a valued HI champion. His firm has been a member of HHI since 1987. Emilio Castillo's father, the first professional in Mexico to receive a certified professional accountant designation, founded the firm in 1943. He later passes on the role of managing partner to his son who continues developing the firm.

Wanting to retain Castillo Miranda's independence, Emilio Castillo rejected a merger with a "big six" firm in favor of an alliance with Rocha y Maldonado, the Horwath member firm in Mexico City, to create one of the two largest accounting firms in the country.

Since that time, he has been an active champion for HI. He became a member of executive council in 1990 and hosted the 1991 Horwath International annual meeting in Cancun – the first post-L&H meeting. With characteristic style, wit and charm, Castillo, along with his partners and staff, provided the newest American members of the association with a warm welcome and a polished event, showcasing HI in its best possible light.

In 1994, Castillo became chairman of HI's executive council, with ambitions for expanding the network – starting with North America.

He has some HI allies who are of the same mind. Along with his counterparts at Appel & Partners of Montreal, Orenstein & Partners of Toronto, Gelfond, Hochstadt, Pangburn & Co. of Denver, and Grobstein & Company of Los Angeles, Ron Cohen, managing partner of Crowe Chizek, is eager to develop business across North America. Based in the U.S. Midwest, he has grown his firm to become one of largest in the country. Since joining HI in 1991 and becoming a member of executive council, Cohen has committed himself and his firm to developing the network. Later, he would become chairman of the American Institute of Certified Public Accountants and would be recognized by *Accounting Today* as one of the 100 most influential accountants in the United States. A natural authority with a quiet, warm manner, Cohen is a man of vision who is used to making things happen. In fact, no sooner does Crowe Chizek join HI than his firm and Horwath Castillo Miranda join forces with an international management consulting company to launch Crowe Castillo InterAmerican. This firm serves U.S. companies seeking to set up or relocate in Mexico.

On October 31, 1992, 15 partners from eight firms gather in Athens, Greece to launch Horwath International's North American Regional Organization (NARO). CEO Werner Rotach serves as chairman, sharing his HI experience with this newest region. Along with getting to know one another and exchanging ideas and business opportunities, the partners address strategic issues for the region and mutual interests, such as professional development.

Just as NAFTA opened the flow of business among the U.S., Mexico, and Canada, NARO opens the door for international referrals and joint assignments among HI's member firms. The region continues to grow.

As part of his ongoing quest for strong, reliable U.S. representation and a close cultural fit, Werner Rotach meets with Doug Thompson, president and CEO of Accounting Firms Associated, inc. in September 1996. Based in Florida, AFAi has more than 65 independent members throughout the U.S. and a fee volume of more than \$170 million.

Thompson is searching for an international alliance that meets his expectations for both quality service and representation in key European centers. He is impressed with HI's requirement for peer reviews of all member firms and the availability of full-time accounting and auditing support. He also knows that the Horwath brand is recognized and respected in the international financial services community. Perhaps most important, the two organizations share similar cultures and values. A key focus of AFAi is "improving through sharing" – a natural blend with HI's values of caring, sharing, investing, and growing.

The missions of the two organizations are also closely allied. HI's mission is "to be recognized as a leader among international professional organizations, to provide value-added services to our members, and to seek out high quality, growth-and-technology-oriented firms recognized as industry specialists in important economic centers throughout the world."

AFAi wants "to develop and maintain an international association of high quality CPA firms that have the capacity to function as a single practice unit through autonomous member firms for the purpose of enhancing quality, management, marketing, and profitability of members."

While both sides have high expectations and numerous issues to resolve given the size and complexity of the two organizations, their closely matched goals, philosophies, and cultures make sense for an alliance.

On October 28, 1997 the two CEOs sign an agreement. This alliance between Horwath International and AFAi moves Horwath International up into the eighth spot among the world's largest accounting organizations. It also represents combined annual international revenues of over US\$1 billion and an employee base exceeding 14,500.

For HI, which faced its darkest days only eight years earlier, this is an exhilarating achievement – and a testament to both Rotach's determination and the association's resiliency.

By the year 2000, when HI's North American Regional Organization is 15 members strong, Rotach passes the reins of the region to Don Pangburn of Gelfond Hochstadt Pangburn, PC, based in Denver, U.S.A.

Pangburn's firm had been a member of Laventhol & Horwath since 1980 and had suffered through its downfall. With loyal clients and an excellent reputation in the state of Colorado, the firm had survived and reorganized,

rejoining HI in the early 1990s. Always a valuable contributor to the association's global business, Pangburn works with many HI members around the world, helping their multinational clients list with U.S. exchanges. As regional director, Pangburn continues his supportive role by enhancing communication and resource sharing and encouraging NARO members toward greater successes. He proves his value to the organization again: within five years, the *International Accounting Bulletin* ranks HI as the leading association of independent firms in the U.S.

## **Making inroads into China**

When Alan Johnson, managing partner of HI's Hong Kong member firm, became director of HI's Asia Pacific Regional Organization (APRO) in 1989, HI had 13 members in the region and 36 offices. Alan's goal was to transform the region into the leading Horwath network. Not a small undertaking.

One of the first tasks Johnson was eager to tackle was to build HI's presence in Mainland China. The business world has been taking an interest in the burgeoning Chinese economy since the early 1990s. By 1995, the economy is growing at a rate of over 10 percent annually. Doing business in China, however, is a major challenge for any organization, including Horwath, since the country comprises 23 provinces, more than 600 cities, a population of over 1 billion, and more than 50 ethnic groups – most with their own languages.

While the world's largest accounting firms are targeting multi-national and publicly-listed companies in Asian jurisdictions, Johnson intends to build strong local firms to establish the Horwath presence throughout China. More and more Chinese corporations need the complete scope of the international market for raising capital. Horwath's global network is well positioned to provide these emerging tigers with a competitive platform for their expansion activities.

The best way to do business in China is to start with the help of an expert. Johnson looks to Joe Chang, managing partner of Horwath's consulting member firm in Taipei, Taiwan. Chang is a chartered financial analyst and has a masters in business administration, is a Canadian citizen, speaks English and numerous Chinese dialects, and knows the Chinese marketplace.

Late one spring afternoon in 1992, Johnson calls Chang to discuss accounting firms in China, and asks whether he knows of any that might be interested in a relationship with Horwath International.

Chang suggests the Zhonghua CPA Group. This is one of the country's largest group of accounting firms, comprising 23 accounting and consulting

firms across China and employing 2,000 people. Along with a local clientele, the group serves a number of prestigious international clients and has a reputation for performing quality work. Soon afterward, Alan Johnson, Joe Chang, and Steve Apedaile, who is an audit partner of Horwath & Company, Hong Kong, travel to Shenzhen to meet with Liu Jian Deng, deputy managing partner of Zhonghua (Shenzhen). This firm has the highest fee volume of any accounting firm in China.

The goals of the partners blend well and the parties pursue an agreement that will enable them to move forward. Patience, however, is essential.

In 1988, the Ministry of Finance established the Chinese Institute of Certified Public Accountants (CICPA) to regulate the profession. The CICPA restricts the provision of a full range of accounting and auditing services to both Chinese and multinational clients to joint ventures, and also restricts the number of these alliances.

In 1992, the CICPA allows seven international accounting firms to open offices in China through joint ventures with Chinese accounting firms. Three of the “big six” have already formed joint ventures with Zhonghua CPA Group. Thus HI must tactfully deal with a series of political obstacles.

Since the CICPA allows “representative offices” of foreign firms to provide services only to multinationals operating in China, HI starts here. In the spring of 1993, HI opens a representative office in the premises of Zhonghua (Shenzhen).

Some months later, Zhu Zheng Chang and Yang Chi Yuan of Zhonghua (Shenzhen) set up a meeting for CEO Werner Rotach, Alan Johnson, and Joe Chang with Zhonghua CPA Group chairman Xu Yi, whose office is in Beijing. Yi acknowledges the importance of this meeting by including most of the group's senior partners. The Zhonghua partners convey a keen interest in the goals, structure, and especially, the benefits of belonging to a worldwide organization. According to Chang, “their eyes lit with enthusiasm” when the HI representatives started to discuss the international network.

HI and Zhonghua representatives continue to talk and get to know each other personally over a formal dinner. Guests include Lu Bing, Secretary General of the CICPA, who would later become managing partner of Zhonghua (Beijing).

With a growing understanding of one another's aspirations and cultures and the benefits of a relationship, Horwath is invited to attend Zhonghua's annual meeting of managing directors. This is an important invitation: CEO Werner Rotach flies in from New York; chairman Paul Hipps travels from London. APRO regional director Alan Johnson cuts short his Christmas

holiday in his home town of Sydney, Australia to attend. Wong Mun Kit, the international tax partner of Horwath & Company, Hong Kong also attends, as does Joe Chang, who travels from Taipei.

The HI delegation gathers on December 29 with some 20 Zhongua managing directors in Wuxi, about 100 miles west of Shanghai. Having the experience of a Horwath representative office successfully operating in Shenzhen for several months, and growing confidence in each party's abilities along with the personal attention of HI's persuasive leaders, Zhongua decides to join Horwath International.

The two organizations reach an agreement in principle for Zhongua (Shenzhen) to become a member firm of HI. Through Shenzhen, HI firms will have access to the full network of Zhongua firms across China. The work they will be able to perform, however, is limited by CICPA restrictions.

Alan Johnson and Joe Chang begin to work closely with Zhu Zhen Chang, director of Zhongua (Shenzhen) to advance HI's reputation in China. The hands-on approach soon produces results: the government allows Horwath & Company, Hong Kong to carry out a B share audit of a public company listed on the Shenzhen stock exchange.

The Chinese Ministry of Finance then allows HI past another hurdle, giving permission for Zhongua (Shenzhen) to become a full member firm of HI. A delegation of Zhongua (Shenzhen) partners, accompanied by Alan Johnson and Joe Chang, travel to the Horwath International executive council meeting at the office of Orenstein & Partners, Horwath's Toronto, Canada affiliate. On May 2, 1994 Zhongua (Shenzhen) becomes Horwath & Company, HI's first member firm in China – and HI becomes the first international accounting organization to have a Chinese practice as a member firm.

As the Chinese economy grows and strengthens, Horwath International rapidly extends its presence in the country. Following the historic signing of the agreement between Zhongua and Horwath, Horwath & Company partners continue their travels, visiting HI members in Vancouver, New York, London, Geneva, and Zurich.

To continue developing the burgeoning relationships, the 1994 HI annual meeting takes place in Beijing. The theme for the meeting is, appropriately, "New Horizons, New Opportunities." Along with meeting their new Chinese colleagues, HI partners receive an introduction to Chinese culture and customs, political and economic developments, and business practices in China.

The Emperor's Banquet caps a week of mutual discoveries when delegates and guests enjoy a magnificent evening, garbed in regal Chinese robes and hats to enjoy a traditional Chinese feast.

As east increasingly meets west, each side discovers more of what they have in common. The caring, sharing, investing, and growing that are such an integral part of HI are also integral to its allies in China.

As director of the Asia Pacific region, Alan Johnson is not content to rest with these successes. With all partners in the Hong Kong office being westerners, Johnson recognizes that to make further inroads he needs local partners with local clients and knowledge of the Chinese marketplace.

Clement Chan might be just the person to help achieve this goal. A chartered accountant, Chan had been educated in Hong Kong and the U.K. He had worked in the Hong Kong office a few years earlier. In 1986 he had emigrated to Australia to work as an audit manager for a large accounting firm. He returned to Hong Kong in 1991 and started his own accounting practice, which grew to become a mid-sized firm. During that time, Horwath & Company, Hong Kong had worked with Chan successfully on a number of major assignments.

Alan Johnson recognizes that Clement Chan and his firm would be a significant asset for HI. The two Hong Kong firms merge in 1996 with Chan's primary responsibility being to develop Horwath's presence in China and to expand the local Chinese client base.

This proves to be a timely move. The same year, Beijing Jindu CPA Co. Ltd. becomes the second HI member firm in China. Then further political hurdles ensue. The CICPA requests that HI slow its momentum in establishing member firms in the country. To date, it is the only international organization with local member firms and the government wishes to provide a catch-up period for others.

The changeover also causes distractions. On July 1, 1997 in Hong Kong, a British colony since 1841, Britain's Union Jack is replaced with China's red banner. Predictions of doom and gloom, however, appear to have no foundation. Companies continue to set up international headquarters in Hong Kong and the gross domestic product maintains a healthy pace.

With a domestic market of 1.2 billion, a vast labor pool for manufacturing, and extensive raw material supplies, China is poised for growth. Moreover, the government's economic blueprint includes narrowing the income gap, investing in anti-poverty programs, increasing rural infrastructure spending, converting state-owned enterprises into "pillar industries," and focusing on maintaining social stability. Thus, the changeover takes place with hardly a blip in activity.

Meanwhile, awareness of Horwath International grows within the Chinese accounting and business communities and its reputation for professionalism attracts mounting interest among Chinese accounting firms.

In 1999, the catch-up phase ends, and Li Yong, secretary general of the CICPA and a former UN diplomat, initiates a more open policy. Several managing partners of accounting firms that had initiated discussions with HI in 1996 reconnect. First Shu Lun Pun CPA Co. Ltd. of Shanghai, then DaLian LianXin CPAs, then Shangdong Huide CPA Co. Ltd., then Nanjing Yonghua CPAs, and finally (Hubei) Daxin CPA Co. Ltd. join HI in late 1999.

### **Asia Pacific region matures**

The development of Horwath International's Asia Pacific Regional Organization is a testament to the power of the association's global abilities. Miami-based Ely Graciá shaped its early form and its entry into China was orchestrated by Alan Johnson, a non-Asian from Australia – all with assistance from HI colleagues worldwide.

In the year 2000, Clement Chan, managing director of Horwath Hong Kong CPA Limited, takes over the responsibilities of director of the Asia Pacific region while Alan Johnson, who by now has been a member of HI's executive council for a decade, assumes the strategic role of regional chairman. The two have proven to be a formidable team in creating a sprawling yet cohesive region comprising 55 offices in 17 countries.

Johnson has achieved his goals and is particularly proud that Horwath International's values have formed a strong foundation for the region. He and his team have brought top-quality firms and partners into the HI network. Despite significant geographic, language, and cultural differences, Horwath firms in the region have developed close, productive relationships.

Wanting to continue this momentum, regional director Clement Chan establishes an HI executive council for China. The council is responsible for implementing policies to encourage information sharing, caring for national and international assignments, and investing in staff education. In 2005, Sunny Zhen Hong Yi, managing partner of Guangdong Yangcheng CPA Co. Ltd., the newest HI member firm, assumes the role of chairman. Every Horwath member firm has a representative serving on council.

The HI representative on the China council is Joe Chang of Horwath Management Consultants in Taipei, who had helped Alan Johnson establish Horwath's first relationships in China with the Zhongua Group. Chang is impressed with the rapid progression of Horwath's member firms in China. By 2005, Horwath China comprises seven member firms, most of which are among the largest in their locales, and is one of the largest accounting and

consulting networks in China. “With the exponential economic growth experienced in the past few years in China, more and more HI member firms are taking greater interest in working with Horwath China firms. Every member in China now has staff members who can fluently communicate with HI colleagues and clients overseas. And more direct cultural exchanges among all HI members will continue to reduce the differences between China and the rest of the world. Horwath China is well positioned for the challenge and will emerge as a major player in the next century.”

In fact, Horwath's entire APRO region is positioned to become a major player in the business marketplace of the Asia Pacific region. From its beginning in 1980 with eight small members, the *International Accounting Bulletin* ranks HI as the fifth leading accounting firm/association in the Asia Pacific region in 2004.

Under the leadership of Clement Chan and Alan Johnson, and with the support of Joe Chang, Horwath International's Asia Pacific region is focusing on strengthening HI's presence and position in this burgeoning region of the global marketplace.

### **Creating a specialty niche: FOMB shows how**

Over the years, one of the ways that HI has successfully achieved name recognition is by developing and promoting niche specialties. Much of Horwath & Horwath's reputation in its early days, for example, was earned by its strong focus on the foodservice and hospitality sectors.

While the marketplace has become more complex and diversified over the years, HI has proven adept at anticipating market needs and then sharing expertise and resources to meet clients' special requirements. The family- and owner-managed niche specialty is a good example; HI developed recognized expertise for helping such businesses succeed.

In the 1970s, Ben Benson, a partner in the Boston office of Laventhol & Horwath, anticipated the needs of the aging owners of businesses launched during prolonged post-World War II economic expansion. At the time, few people were thinking about how the owners of these businesses would pass along their legacies to the next generation. Benson, however, raised these issues during a presentation on succession planning for family-owned businesses at the 1982 HHI annual meeting in San Francisco.

Benson was working with a number of family business clients and wrote a book and several articles on their special needs. While his presentation stirred significant discussion, Ben's suggestion that other HHI members should develop expertise in this area met with limited response.

A couple of years later, Peter Leach of Stoy Hayward in London contacts Benson to talk about developing a specialty in family-owned businesses for Stoy Hayward in London. One of the strategies the two discuss is writing a book similar to Benson's that will address issues important to family business owners in the U.K. Stoy Hayward will be able to leverage this publication to raise awareness of the issues and the firm's expertise. Leach goes on to write *Guide to Family Business* to help those involved in a family business identify and resolve family-related issues. The book does not focus only on financial and tax issues, but also covers "soft issues" such as succession, conflict resolution, and strategic planning.

This is an unusual departure for an accountant's book, which would typically address financial and tax issues. But information regarding the soft side of family business proves to be compelling, since it is the challenges presented by these issues that most often derails family businesses.

With these insights, and with Benson as a mentor, Leach quickly becomes recognized as a family business expert, delivering workshops, making media appearances, and raising the profile of his firm. In 1992, Stoy Hayward launches the Stoy Centre for Family Business to provide members of family businesses with expertise and support for issues specific to their companies. The first forum of its kind in the U.K., the centre represents the collective views of the family business sector and serves as a lobbying group for legislative change.

As business in this niche increases for Stoy Hayward, the success of the new venture spreads through the global Horwath network. The member firm in Ireland publishes a similar book. So too, does the member in the Netherlands, integrating its own research conducted on the local market. The Dutch firm also invites influentials to release the book and its findings at seminars – and conducts seminars across the country for family business owners, addressing key issues revealed by the research.

In fact, conducting research on the local market and releasing findings works as well for HI members firms wishing to develop an FOMB market niche as it did for those who developed a hospitality consulting niche by conducting and publishing the results of local hotel surveys. In 1992, for example, Horwath & Horwath (Qld) Pty Ltd., HI's Brisbane member firm, commissions a 12-month study of Australia's family businesses to identify the reasons for the high rate of attrition of family-owned businesses in that country. The results are published in the book *Managing and Controlling Family Owned Businesses* to offer suggestions for achieving long-term success. The Australian member firms also launch a seminar series, *Keeping the Family in Business*, to provide family business owners with additional tools for success.

Horwath & Company of California in Los Angeles sponsors the Northridge Family Business Center, which promotes the growth, productivity, and success of family businesses.

Back in the U.K., where HI's member firm is now Horwath Clark Whitehill, the firm commissions the Small Business Research Centre at Kingston University to conduct research on the motivations, experiences, and views of such business owners.

Demand for assistance and tools is especially strong in the U.S., where family and owner-managed businesses are growing rapidly in number and size – many in fact being listed on stock exchanges.

In the Columbus, Ohio office of Crowe Chizek, HI's Midwest U.S. member firm, partner Jim Bieneman forms a family and owner-managed business group. The group provides services that address both hard issues such as financial, business, and estate planning, and soft issues such as communication and determining family goals.

In 1993 HI establishes an international FOMB committee with partners from around the globe. Members meet regularly to share experiences, review research, and develop tools for their HI colleagues. As chair of Horwath International's FOMB committee, Bieneman recognizes that the challenges experienced by his clients in the U.S. are common to clients of HI member firms around the globe. He also recognizes that these clients need tools to help them plan and manage their enterprises. Thus Bieneman develops *The Horwath International Guide to Total Planning in the Family and Owner Managed Business*. The 120-page book deals with soft issues universal to family businesses in every country and culture. The book sets out a framework for establishing and realizing FOMB goals, discusses how to plan for success, offers tools that make FOMBs work, and addresses the special challenges of these businesses. It also describes and ways to overcome such challenges.

The book proves to be so popular that a second printing of 6,000 is run in 1998. And it spawns a series of accompanying books: HI firms in several other countries develop companion books that deal with the hard issues that these owners also face.

These tools find a receptive audience, and demand for FOMB expertise soars – from clients as well as from HI firms that wish to strengthen their expertise in this area. The HI FOMB committee launches a number of initiatives to keep up with demand, including training, FOMB certification programs, an annual international symposium for Horwath FOMB specialists, and the book *A Guide to the Hard Side of FOMB Planning*.

As family and owner-managed businesses thrive worldwide, HI's FOMB experts share expertise, insights, and tools with their colleagues – enabling firms throughout the network to be recognized as local experts, and HI as an international expert – in this vital component of the world's economy.

This approach to generously sharing the expertise and resources that will help member firms and their clients succeed becomes a template for HI to quickly develop specialties that meet emerging demands in the marketplace wherever they arise.

### **Middle East group starts and thrives**

What is HHIA president Ivan de Naray's motivation for traveling all the way to Beirut, Lebanon in 1962 and welcoming a firm into the association the following year? While we will likely never know for certain, it may be partly a result of hotel clients investing in the Middle East in the 1950s and '60s and increasing U.S. involvement in the region.

Lebanon is well known as an international banking and financial center and a melting pot of western and Arab cultures. De Naray may believe that the Arab countries will develop their tourism industry, and he wants HHIA to be ready when this happens. In 1970, he also welcomes a member firm in Egypt.

Through the 1970s and '80s, the region experiences more economic and political turmoil, making it challenging for Horwath to address cohesive regional development. Until Wael Abou Chakra joins the association.

Wael Abou Chakra is the managing partner of Abou Chakra & Co. of Beirut, Lebanon – a mid-sized firm eager to expand its international business. Outside the “big eight,” the name that stands out is Horwath International, because of its reputation in the leisure industry. Since this area of expertise is key to his firm's future development, Wael Abou Chakra contacts HI. He is soon impressed, not only with HI's reputation, worldwide ranking, and geographic coverage, but also with the association's responsiveness and the array of support it offers members. In 1989, Abou Chakra & Co. becomes an HI correspondent and, three years later a full member, adopting the Horwath name.

Quickly experiencing the benefits of membership, Wael Abou Chakra is eager to promote Horwath throughout the Middle East, since the name is unfamiliar to the accounting and business communities of most Arab countries.

He is the ideal person to do so. Well known and respected himself in Lebanon, Abou Chakra is appointed in 1992 by the Lebanese Minister of Finance to the tax reform committee, with the goal of preparing

comprehensive tax legislation for Lebanon. The following year, he represents the Lebanese Association of Certified Public Accountants at a meeting of the United Nations' Initiative for Social Action and Renewal in Eurasia, which is championing the harmonization of corporate accounting and reporting practices.

Through his travels and presentations, Abou Chakra serves as an impressive representative of Horwath International and within five years, HI has new member firms in Bahrain, Jordan, Oman, Qatar, Morocco, Saudi Arabia, and United Arab Emirates.

The burgeoning region now needs planning and direction. In 1994, HI's executive council establishes the Middle East Horwath International Group (MEHIG), comprising the Arab-speaking countries of the Middle East as well as North Africa. Wael Abou Chakra is the obvious choice to lead the region's future growth. He continues his travels, raising awareness of Horwath International, identifying prospective members and building his own firm's international business. Given "the leadership and focus of this network, along with the exceptional quality of the firms," Wael Abou Chakra is pleased to find that both his firm and HI prosper.

As the European Union begins to influence development in the Middle East, Horwath's European Regional Organization, which is also prospering, shares activities and resources and coordinates joint meetings with its HI Middle East counterpart.

When Wael Abou Chakra's daughter and son join the firm, they too experience the advantages of HI membership. Daughter Samar Shammas, who is charged with establishing offices in the United Arab Emirates, connects with HI colleagues at her first annual meeting in Athens in 1992. She is impressed by "the opportunities presented, the close ties between members of a large family, the feeling of sharing and the will to cooperate in every possible way."

Kamel Abou Chakra, Wael's son, receives a masters degree from Bentley College in Boston, U.S.A. and then joins Crowe Chizek in Chicago. He subsequently receives his certified public accounting designation. After six years working in the U.S., he returns to Beirut. With this overseas Horwath experience, Kamel Abou Chakra prepares to help his father expand the firm's global business and assist with his responsibilities for HI. In 2003, he becomes co-director of HI's Middle East region, sharing responsibility for the development of MEHIG with his father.

Within only a decade, the Horwath name has moved from relative obscurity to become one of the most widely known accounting organizations in the Middle East. With 12 member firms in 2005 and plans for many more, organic and geographic growth is in sight. With conviction

and commitment, Wael Abou Chakra promises, “we have come a long way in introducing Horwath into the Middle East and we will continue strengthening our presence.”

## **European region flourishes**

Feeling reverberations from the reunification of eastern and western Europe, the maturing of the European Union and hungry “big six” firms, Horwath International carries on the task of replacing lost members in Europe.

Fortunately, despite (and in many cases because of) the trials it has endured, HI has earned the admiration of the accounting profession. CEO Werner Rotach receives numerous inquiries from prospective members. This is a heartening position to be in after having faced so much uncertainty during the collapse of Laventhol & Horwath and the subsequent loss of Stoy Hayward.

Prospects demonstrate special efforts to be considered by HI. All 12 partners of one firm attend an introductory meeting. Another firm prepares an elaborate presentation, complete with virtual stationery depicting its future Horwath relationship.

Identifying a member firm for the United Kingdom is the first priority. Werner Rotach condenses the list of prospects to four firms. Then he assembles a team of Horwath leaders to assist in assessing the candidates.

Clark Whitehill is one of those impressive candidate firms. The 12<sup>th</sup> largest firm of business advisors and chartered accountants in the U.K., Clark Whitehill traces its ancestry back 150 years. Based in London, the firm has 58 partners nationwide and is the founder of Clark Whitehill Associates, a network of 34 regional independent accounting firms with more than 1,200 partners and staff members in 63 locations in the U.K.

Clark Whitehill has numerous notable achievements: the firm designed the audit system adopted by the English Institute of Chartered Accountants for use by other accounting firms and authored the Institute's *Auditing Manual*. The firm ensures compliance with U.K. auditing regulations and acts as auditor to the U.K. government's National Audit Office, the Financial Reporting Council and the Accounting Standards Board.

In August 1994, the Horwath International selection team comprising Werner Rotach; Alan Johnson, director of the Asia Pacific Regional Organization; executive council members Ely Graciá from Miami and Ron Cohen from the South Bend office of Crowe Chizek in the U.S.; and Chuck McKenna from the Chicago office of Crowe Chizek, meet with James Gemmell, chairman of Clark Whitehill Associates and Peter Salter, managing partner of Clark Whitehill, along with several of their colleagues. The

rapport is immediate. The group continues discovering mutual goals, culture, and values over dinner at Gemmell's Caledonian Club. "HI offered us a large organization, well developed North American and European networks and the opportunity of doing much more international business," says Gemmell. "The haggis at the beginning of the dinner and the whisky at the end may have helped, but I'd like to think it was the quality of the conversation that persuaded them that we were the right firm!"

HI obviously agreed. Within a couple of months, Clark Whitehill joins the HI network – and another close Horwath relationship begins.

James Gemmell is representative of the massive influx of talent, knowledge, and ideas this relationship soon delivers. Well known in the U.K. accounting profession, Gemmell has been active in many of its organizations. He is invited to sit on HI's executive council and his intelligence, humor, and reputation begin opening new doors for HI.

With a strong U.K. member firm in place, HI's attention now broadens across Europe. In 1994, I (Fernando Seglias) assume the role of director of the European Regional Organization.

I had, in fact, been working with ERO regional director Philip Sober since the departure of the Swedish firm in 1992. With so much happening in Europe during this period, I became ERO coordinator, assisting Sober by taking responsibility for Austria, Germany, Hungary, and Switzerland. I also undertook new member development in former Communist countries in eastern Europe.

Horwath International needs some positive developments in the region – and the sooner, the better. Having been a member of the association since 1970, I know many of the partners in HI and am able to quickly get up and running.

Personal interaction among partners in the European region needs to be revitalized and I start by inviting HI's international tax committee to meet in Amsterdam. We include Clark Whitehill's international tax expert, Michael Garland, so that we can start the process of getting to know one another. I also reactivate and organize the ERO Gathering, arranging for young partners and managers to meet in Opio, France in the fall of 1995 and 1996. Then I organize accounting, auditing, and value-added tax seminars, initiate annual meetings of German-speaking members, and launch the first joint meeting of HI's Middle East and European regions in Istanbul, Turkey.

Meanwhile, HI continues the search for more members. As the new regional director of the ERO, I fly to Dublin to join Werner Rotach and James Gemmell in interviewing prospects to replace the firm in Ireland that left with Stoy Hayward.

I immediately feel comfortable with Gemmell, and also feel that he would be a major asset in building the European region. He is keen to assist and soon assumes the role of chairman of the region, sharing his ideas and providing invaluable support. An exceptional communicator, Gemmell has an innate ability to solve problems diplomatically and guides partners through a challenging period.

Europe continues to be the focus of major membership changes for HI. From 1992 to 1997 a succession of firms in Israel, Luxembourg, Portugal, Denmark, Germany, Spain, and France leave HI through mergers, succession, and related events. The evolution within HI mirrors that of the entire accounting profession, where mergers shift the “big eight” to the “big six” in 1989 and then to the “big five” in 1998.

Replacement strategies are complex given the continuing evolution of the European marketplace. We travel throughout Europe identifying prospective members, meeting with the most promising prospects, evaluating their potential and outlining HI's goals and the benefits of membership. One by one, we manage to secure strong, successful firms. The major opportunity of the latter half of the 1990s is the transformation of the former Communist Bloc, including Bulgaria, Croatia, Czechoslovakia, East Germany, Hungary, Poland, Romania, and Russia.

Horwath has had a member firm in Hungary since 1986 and in the Czech Republic since 1994, and now begins to add to its eastern European stronghold. In 1995, the association welcomes a member firm in Poland and another in Larnaca, Cyprus. In the spring of 1996, the network gains a member in Hamburg, Germany. That autumn, HI enters Russia. In 1998, Romania is counted in the HI network.

Integrating members of the “new” Europe into HI and its culture and practices also presents special challenges. Just as capitalist practices of private ownership and competition are new and different to former Eastern Bloc countries, HI's methods and systems are new and different to their accounting firms. Supported by training, documents, and expertise, however, the young, ambitious partners of HI's new eastern European firms quickly adopt HI's methodologies and practices.

Through the upheaval in Europe and HI's European region, there is a constant. Jonathan Bodlender, chairman of Horwath U.K. and Horwath Consulting Europe, continues to systematically build HI's strengths in hotel and tourism consulting.

Bodlender has spent his entire career in the hospitality and tourism industry. He joined Horwath & Horwath International Associates in 1968 when he was appointed managing director of Horwath & Horwath U.K. He chaired the hotel and tourism division of HI for much of the 1980s and played a major part in establishing tourism consulting in the U.K., where Horwath U.K. achieved 30 percent annual growth under his direction. He served as managing director and executive chairman, retiring in 1993. When Stoy Hayward departs the association in 1994, however, he returns to assume his responsibilities for Horwath U.K. and Horwath Consulting Europe.

Bodlender is also called to serve as a special adviser on investment to the World Tourism Organization. Ever the Horwath promoter, Bodlender acknowledges HI in his acceptance speech: "I and my Horwath colleagues regard this as an honor. I look forward to advising the secretary general in this important area, at a time when attention will soon begin to focus again on investment on tourism facilities worldwide."

Recognized as one of Europe's leading consultants, Bodlender contributes not only to the growth of HI's consulting market, but also serves as an ambassador for the organization. He is the author of numerous articles and publications. Known for his wit, storytelling, and self-deprecating sense of humor, Bodlender is also a prolific public speaker. He returns from Jordan in April 1996 having achieved another notable milestone: he has visited 50 countries and delivered 200 speeches.

Bodlender's ongoing involvement provides a reassuring presence through the highs and lows of European reorganization for HI. In 1995, Bodlender is appointed a Commander of the Order of the British Empire for his contributions and services to the hospitality and tourism industry in the U.K. and abroad. Sadly, he dies two years later. Known and respected in every branch of the tourism industry, HI remembers Jonathan Bodlender for his professionalism and enthusiasm.

While challenging at the time, in retrospect these changes strengthened HI, bringing new opportunities, new ideas, and a new dynamic into the association.

At the end of 1998, I retired, satisfied with having acquired new member firms in former Eastern Bloc countries, expanded representation in other countries, and shaped the region into a cohesive, proactive group. Despite the political and economic tumult of the past decade, the ERO has grown to encompass 32 countries – more than any other region of HI.

With confidence in the future and a vision for the development of the region, James Gemmell takes over the role of regional director. He assumes responsibility for expanding the European network and for helping to develop business for more than 30 firms – not only accounting firms, but now also HI's tourism consultants.

In ensuing years, Gemmell leverages HI's strengths to broaden representation in both eastern and western Europe. He conducts extensive research and, inspired by the continuing queue of impressive firms expressing interest in joining HI, welcomes 17 firms from 12 countries into the association from 1999 to 2005.

Moreover, the firms are larger, have extensive language capabilities – and international aspirations. In many countries, especially Belgium, Portugal, Spain, and Switzerland, Horwath's new members are among the top accounting and consulting firms in their respective locales.

With plans to extend into virtually every key part of Europe, Gemmell continues to push Horwath's influence into eastern Europe and in strategic countries including the U.K., Germany, and France.

HI is particularly adept at bridging the language, cultural, and regulatory differences among the region's diverse countries. Gemmell attributes this to “the real strength of HI. Everybody knows each other. We know the quality of the work and the quality of the people. We care about each others' issues and problems and we continually look for opportunities for one another.”

By the end of 2005, the European region has grown to include 60 member firms in 135 cities. Gemmell continues scouting opportunities for his HI colleagues inside and outside the region.

## **HI becomes world leader in tourism and leisure**

While the lodging, foodservice, and travel industries represented the backbone of the early years of Horwath & Horwath, once Horwath & Horwath International Associates was established in 1960 the hotel sector became its wings, flying HHIA overseas into Venezuela, Mexico, and the United Kingdom.

Horwath & Horwath's U.S. partners trained many of HHIA's international professionals on the techniques of conducting hotel engagements in areas such as accounting and auditing, systems, and feasibility studies. Throughout the 1960s and into the 1970s, as this practice area expanded for HHIA, requiring more training in more countries, travel and communication became challenges.

Thus in 1976, HHIA executive council establishes the international leisure time industries coordinating committee, whose name is soon shortened to

the leisure time industries committee. The role of the committee is to establish minimum operating criteria, maintain quality controls, conduct reviews and inspections, and review qualifications of prospective and new member firms. William Sommer, the U.S. industry leader for Laventhol & Horwath and a partner in the Miami hospitality practice, champions the development of the committee and becomes the chairman.

With partners from numerous member firms around the world, the committee offers Horwath firms a resource equipped with diverse geographic perspectives and expertise. Committee members immediately set out to establish quality standards by developing manuals and guidelines and setting out operating standards for audits and consulting engagements. They also develop a system of classifications that ranks the qualifications of Horwath firms to perform certain types of engagements. This ensures that the quality of work produced by each Horwath member always meets the specific local requirements of such clients as hotel chains, bankers, and developers.

A firm with an A classification, for example, is an autonomous firm practicing solely in the hotel, travel, and tourism industry. These firms, led by a committee member or an experienced Horwath member, are permitted to carry out all types of engagements without supervision or review. Firms with a B classification have trained professionals and operate under the supervision of an A firm. These members are permitted to issue reports that are reviewed and pre-approved by the A firm. Members classified as C are only permitted to perform hotel, travel, or tourism engagements under the direction of an A firm.

The committee's classification system assures that all engagements performed by HHIA meet top quality standards. The system also promotes sharing of knowledge and expertise among members of the Horwath network.

In the 1980s, Jonathan Bodlender assumes the chairmanship of the committee from Sommer. Bodlender, also chairman of Horwath U.K. and Horwath Consulting Europe, and who is respected worldwide for his expertise in the sector, elevates the Horwath name to a new international plateau.

Another important responsibility of the leisure time industries committee is to raise awareness of HHIA and to develop relationships with government, industry groups, and businesses involved in the hotel and tourism industry. With Bodlender's vast connections in the sector, the committee establishes ongoing relationships with such influential organizations as the International Hotel Association, the World Tourism Organization, the World Travel and Tourism Council, the Caribbean Hotel Association, the American

Hotel and Motel Association, the U.K. Hotel Association, the World Bank, the Multilateral Guarantee Agency, the Asia Pacific Hotel Association, and many other local and regional associations.

Committee members subsequently receive invitations to speak at gatherings of these institutions around the world.

Bodlender's influence and these relationships, along with annual releases of the *Horwath Worldwide Hotel Study*, combine to elicit invitations for him and other committee members to speak at events around the world sponsored by these institutions. Horwath partners are often keynote speakers, with many of their presentations based on the annual *Horwath Worldwide Hotel Study*, whose results are widely anticipated every year by the global travel and tourism sector.

The studies present detailed financial, marketing, and operating trends for hotels in diverse regions and segments of the worldwide hotel industry. The committee is responsible for organizing contributors to the annual study and for producing the publication. Along with Bodlender, others who make this happen every year include Ely Graciá from Miami; Pete Peters, who heads Horwath Hospitality Consulting in the U.S.; Sotero Peralta of the Dominican Republic; and Vijay Thacker of Mumbai, India.

Over the years, the name of the committee evolves, reflecting changes in the sector worldwide – and the evolution of Horwath's work within it.

In 1995, Ely Graciá, regional director of the Latin America and Caribbean region, takes over from Bodlender, also assuming the role of chairman of the newly reorganized and renamed hotel and tourism committee. Since Graciá has worked in the travel and tourism sector for over three decades and has trained many Horwath partners who work in this field, his guidance and expertise are warmly welcomed. Until his retirement in 2004, Graciá continues building the reputation of Horwath International and developing business for member firms working in the sector.

While the committee works on global initiatives, its members are also building local and regional expertise. Pete Peters, for example, established Horwath & Horwath Asia Pacific in 1988 and built it, within only four years, into a prosperous consulting firm. When the well liked Peters returns to the U.S. in 1992 to help establish Horwath Hospitality Consulting, he brings with him his cherished collection of Chinese antiques, primarily Han and Ming dynasty terra cotta tomb figures, for which he developed a passion during his time in the Orient. His untimely death only a few months later is a sad event for all of Horwath. His colleagues fondly remember his exceptional commitment to work and his enthusiasm for life.

Horwath Hospitality Consulting would become a thriving network of consulting firms in Miami, Philadelphia, Charlotte, Chicago, Denver, Kansas

City, and San Francisco. And by 2005, under the leadership of Robert Hecker, Horwath Asia Pacific would be providing services in Australia, China, Hawaii, Hong Kong, India, Indonesia, Japan, Malaysia, New Zealand, Singapore, and Thailand.

As Horwath's North America Regional Organization takes hold and member firms increasingly share expertise and opportunities, the consulting practices in the region flourish. In 2004, when Graciá retires, Joel Rosen, chairman and CEO of Horwath Horizon Consultants based in Toronto, Canada assumes the role of chairman of the committee, which is now called the hotel, tourism, and leisure group.

There are, in fact, many contributors to the development of this area of practice over the years throughout the Horwath International network. Saul Leonard of Los Angeles, who is one of the foremost experts on the gaming sector, provides expertise and support related to this specialty. Sotero Peralta of Horwath, Sotero Peralta & Asociados of the Dominican Republic assumes responsibility for producing the *Horwath Worldwide Hotel Study* and spins off numerous regional and local studies for his Horwath colleagues. And Geoff Kirkland of Horwath Horizon Hospitality Advisors in Charlotte, U.S.A., who has specialized expertise related to conference centers, produces an annual study for this niche.

These and hundreds of other professionals enable Horwath to take top spot by 2003 as the world's largest consulting group in the hotel, tourism, and leisure sector. Two years later, this group comprises a global network of more than 160 industry-specialized consultants working in 57 countries – and continues to grow.

With a wide variety of interrelated businesses operating in virtually every country, hotel, tourism, and leisure is among the world's largest industries. With a rapidly expanding infrastructure and rising numbers of travelers, it is also one of the fastest growing industries – and Horwath International continues to optimize all of the opportunities this presents.

### **Latin America and Caribbean region prospers**

Nineteen-ninety is a pivotal year for Horwath's Latin America and Caribbean region. Just as HORLAC reaches the milestone of becoming the seventh largest association of accounting firms in this part of the world, Laventhol & Horwath collapses.

While this could be perceived as a cataclysmic event to the dozen members of the region, all take the news in stride. The demise of the American firm is the loss of only one of many member firms, and although

this is some cause for concern, HORLAC members also see this as an opportunity to exert more influence within Horwath International.

This event coincides with growing economic freedom in Latin America. State-owned monopolies and high inflation are in decline while the region's economies are growing and becoming increasingly prosperous as they open to more trade and investment. The outlook is optimistic for modernizing Latin economies and raising the standard of living.

With HORLAC members just beginning to benefit from these developments, Stoy Hayward of the U.K., HI's next largest member firm, departs the association in 1994. Just as HORLAC members begin to weigh the potential repercussions, their commitment to Horwath International is tested when many become targets for the "big six" that are aggressively searching for merger prospects around the world.

One after another, partners of other local firms approach HI's Latin America and Caribbean members to enter merger negotiations, and, through their affiliations, to join the "big six."

Regional director Ely Graciá must quickly determine the cohesiveness and commitment of the members of the region. He immediately undertakes discussions with the members of HORLAC and soon responds to the overtures with a single document, representing the unified voices of every managing partner of every member firm in the region. The document decisively proclaims the allegiance of HORLAC to Horwath International. The die is cast.

As Graciá shores up support for HI and addresses the priorities of its Latin American and Caribbean members, he must also expand the network in that region. Unfortunately, early economic advances throughout Latin America are already beginning to slow.

Eduardo Pestarino, co-managing partner of Horwath Argentina, steps in to assist Graciá, who is juggling multiple responsibilities for HI as well as facing retirement within a few years.

Pestarino is well qualified for the job. He has been part of HI since his university days when he joined Seoane Canepa where his cousin, Jorge Pestarino, was a senior partner. Seoane Canepa, one of the oldest and most prestigious accounting firms in Argentina, became the first member firm of Horwath & Horwath International Associates in 1960. Now managing partner of Horwath Argentina and Horwath Consulting, Pestarino has acquired extensive experience in HI. This includes serving on the international accounting and assurance committee, conducting inspections worldwide, and assuming responsibility for assurance services, compliance, and quality control for HORLAC.

Unfortunately, economic conditions in Latin America continue to deteriorate and by 1997 a recession starts to spread. Political instability and financial crises ensue in several countries. Pestarino must step back from his HI responsibilities to attend to the challenges in Argentina and his own firm.

Graciá postpones retirement and continues to address the needs of the region's members. Fortunately, he has a strong ally – Sotero Peralta of the Dominican Republic, who is the chairman of HORLAC. With HI's best interests always in mind, Peralta provides support wherever and whenever it is needed.

Working with Peralta as well as independently, Graciá identifies and establishes contact with prospective HI members in several Latin American countries. Peralta provides guidance regarding the management of the region and support to individual members related to training, quality control, and practice development. Together, they facilitate the development of Horwath's hotel, travel, and tourism expertise in the region and assist the entry of Crowe Chizek from the U.S. Midwest into Mexico. They also continue drawing upon the talent of the HI network to broaden HORLAC's reach and influence. Despite economic and political instability throughout the region, the members persevere. In fact, they thrive, ranking among the top accounting firms in their respective countries.

Meanwhile, Pestarino successfully steers his firm through the turbulence within Argentina and in January, 2004 succeeds Graciá as regional director of HORLAC.

After having worked for Horwath for more than 40 years, contributing to the growth of HI in virtually every facet of the organization, and serving for 28 years as regional director of the Latin America region, Eliberto Graciá passes the torch.

Eduardo Pestarino is ready for the challenge. With responsibility for members in 19 countries, representing virtually every country in Latin America, he focuses on expanding through the Caribbean.

## **Planning for the Future**

By 1995, it's time to take a step back to look at what the organization has accomplished and to determine where it should go. It's been five years since Werner Rotach began systematically rebuilding Horwath International.

Rotach sets out to create a picture of where HI will be by the new millennium – the year 2000. Horwath International needs a frame of reference to direct the energies of everyone in the organization, to differentiate HI, and to reflect its values and priorities.

The result is *Steering the Course*, a strategic plan that defines HI's vision and mission for the next five years. Having come through so much over the previous five years – and having so much more to do – many in HI are skeptical that the organization can achieve the goal of doubling fee volume and becoming “a leader among international professional organizations.”

The skeptics are convinced, however, when by 1998 HI achieves these milestones and becomes the eighth largest accounting and business consulting organization in the world.

On the eve of a new millennium, HI is ahead of where it expected to be.

Of course, planning for the future must continue. The 2001 to 2005 strategic plan focuses on bringing even more cohesion to the expanding association, moving it from a network of independent firms to a proactive organization of integrated professional firms.

To reinforce this change among partners, staff, clients, prospects, and peers, HI introduces a new identity that differentiates the organization and establishes Horwath as a single, recognized brand in the global marketplace. The golden “pinnacle” logo represents the highest level attainable, symbolizing Horwath's pursuit of achievement and commitment to excellence.

With HI dedicated to providing members with extraordinary value to ensure their success; supporting the sharing of staff, training, knowledge, and clients; along with providing a brand standards manual and a range of marketing tools and materials, members quickly realize benefits from enhanced integration. A year ahead of schedule, the association surpasses its fee volume goal of US\$1 billion.

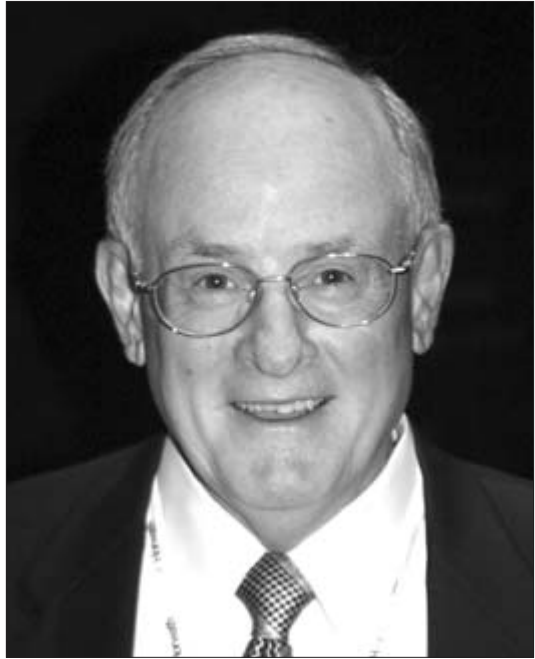


*Paul Hipps of Horwath International's U.K. member firm, who became the new chairman of HI following the demise of Laventhol & Horwath, presides over the first Horwath International annual meeting in Cancun in 1991. He would play a lead role in rebuilding Horwath International in the U.S.A.*

*As host of the 1991 Horwath International annual meeting in Cancun, Emilio Castillo, managing partner of Castillo Miranda of Mexico, welcomes delegates. Three years later, he would become chairman of HI's executive council.*



*Ron Cohen, managing partner of Crowe Chizek of the U.S. Midwest and chairman of the executive council of HI since 1992, has been instrumental in guiding the expansion of Horwath International.*



*James Gemmell, chairman of Clark Whitehill Associates of the U.K., joined Horwath International in 1994, and became a member of the executive council. Four years later, he became director of the European Regional Organization, leading its recent growth to encompass 60 member firms in 135 cities.*



*Eliberto Graciá and his wife, Marisa, enjoy the final dinner at Vienna's Palais Ferstl at the 1996 Horwath International annual meeting. From 1961, when Ivan De Naray hired him, Graciá became involved in many of the major developments at Horwath International. He trained partners around the globe in the Horwath system of hotel accounting and consulting; chaired the international hotel, travel, and tourism committee; served on executive council and as director of the Asia Pacific region and of Horwath Latin America and Caribbean region; and acted in many other informal, but important roles.*



*Eduardo Pestarino, co-managing partner of Horwath Argentina, helped to build Horwath Latin America and Caribbean (HORLAC) and became regional director in 2004.*



*At the opening ceremony of the 2005 Horwath International annual meeting in Hong Kong, Alan Johnson, chairman of the Asia Pacific Regional Organization, and Clement Chan, regional director, represent the teamwork that has created a large, cohesive region comprising 55 offices in 17 countries.*



*East meets west at the September 2005 Horwath International annual meeting in Hong Kong: (from left) Joe Chang, CEO of HW Horwath Group Ltd. of Taiwan, who was responsible for opening the door to China for Horwath International; Dingyi Dai of Horwath China, Shanghai; Don Pangburn of GHP Horwath of Denver, U.S.A. and director of the North American region (NARO); and Eileen Chan of Horwath Hong Kong Group.*



*Kamel Abou Chakra, son of Wael Abou Chakra, founder of Horwath Abou Chakra & Co. of the Middle East, took advantage of the Horwath International network and worked in the Chicago office of Horwath's Midwest U.S.A. member firm, Crowe Chizek. He returned to Beirut six years later, equipped with international experience and a CPA certificate. Kamel became regional director of the Middle East Horwath International Group in 2003.*



*Wael Abou Chakra (second from right, standing), chairman of the Middle East Horwath International Group (MEHIG), gathers with Horwath International CEO Werner Rotach (second from left) and several MEHIG colleagues at the 2005 Horwath International annual meeting in Hong Kong: (from left, back row) Abbas Hoshi of Hoshiyar Behmand & Co., Tehran, Iran; Ahmed Maqtari of Horwath Al Maqtari Auditing, Abu Dhabi, United Arab Emirates; (front row) Adib Al-Shaa of Horwath Qatar, Doha, Qatar; and Kamel Abou Chakra, MEHIG regional director.*



*Building relationships at the Horwath International annual meeting in Hong Kong in September 2005 are (from left): Alan Johnson, chairman of the Asia Pacific regional organization (APRO); Horwath International CEO Werner Rotach; keynote speaker Brian Bacon, president of the Oxford Leadership Academy; Mark Hildebrand, CEO of Crowe Chizek of the U.S. Midwest and a member of the board of directors of Horwath International; Clement Chan, managing director of Horwath Hong Kong CPA Limited and regional director of APRO; Ron Cohen, chairman of Horwath International; and Chuck McKenna, managing partner of Crowe Capital Markets, LLC, Chicago, U.S.A.*



*Today, the Horwath International brand is recognized around the world. The Horwath “pinnacle,” introduced in 2003, represents the highest level attainable, symbolizing Horwath's pursuit of achievement and commitment to excellence.*



## Chapter 9

# 2005 and Beyond | Horwath International Today and Tomorrow

*“Caring, sharing, investing and growing are the values by which Horwath International and our member firms desire to live, working with each other and the international business community.”*

*Horwath International strategic planning task force  
September 15, 2005*

### **Quo vadis: where are we going?**

Where to now?

By 2005, with over 100 member firms and nearly 20,000 people located in virtually every region of the world, the Horwath international network has vast depth of experience and talent, as well as vast opportunities. Where is it going next?

HI started to identify a path as soon as the new millennium began. Eight HI leaders formed a strategic planning task force, consulted with Horwath members around the world, distilled their findings and, at the September 2005 annual meeting in Hong Kong, present the results of their hard work to HI partners.

As always, the organization has high expectations. Horwath International's vision is to become the leading international professional firm network: by reputation, by specialization, and by market position. Four goals are intended to build this network:

- delivering excellent service and value to the international business community;
- delivering excellent service and value to members;
- achieving the highest reputation for quality, objectivity, and public trust; and
- achieving the growth and financial strength to self-determine its future.

While 2009 is some years away, the organization has already taken great strides toward achieving its goals. With the intent of moving “up-market” within the private and the publicly-traded markets, HI launches the demand creation initiative, which trains, coaches, and equips Horwath partners to become “change pioneers” by pursuing international opportunities.

Another initiative that is already paying dividends is a commitment to growing international business through the establishment of “foreign desks.” At the beginning of 2006, the first foreign desk is established in Shanghai to enhance service for clients doing business with China. Ultimately, HI envisions hundreds of senior managers and partners having a “tour of duty” at Horwath foreign desks in key economic centers around the world, thereby strengthening client service and contributing to the knowledge base within the network.

To meet the evolving needs of the business community and capitalize on HI's strengths, the association is also developing international niches on a worldwide basis. A similar approach enabled HI in previous years to become known and respected for its expertise in travel and tourism, family and owner-managed business, and accounting and assurance.

Now, there are three new areas of focus: tax, risk management, and corporate due diligence. Under the leadership of Hans de Kruijs, managing partner of Horwath Tax Holland in Rotterdam, HI establishes a tax structuring and international tax planning group and soon launches a series of initiatives. With multinational clients increasingly impacted by transfer pricing legislation and the U.S. *Sarbanes-Oxley Act* of 2002, HI's tax specialists worldwide now have a forum for sharing tax cases with cross-border planning implications. The committee is developing an international tax library for all of HI to share. It also develops local and global opportunities for tax planning and structuring, and sets up specialist groups for value-added tax, real estate, employee relocations, and international corporate structuring.

As clients increasingly face business risks and challenges to performance, HI establishes a risk management group, under the leadership of Larry Rieger of U.S.-based Crowe Chizek, with members from North America, Europe, and the Asia Pacific region. As this field of practice matures, the committee provides HI members with counsel and tools to enable clients to improve processes, lower operational costs, reduce risk, add shareholder value, and create a competitive advantage.

Corporate due diligence is another area of practice for which HI's expertise is increasingly sought. Under the guidance of Marc Shaffer of the Oak Brook, U.S. office of Crowe Chizek, HI experts from around the world have

created a resource group in this specialty area to enable HI members to assist clients with every aspect of buying and selling a business.

While HI continues to strengthen all of its accounting and consulting services, developing such specialty areas enables all members to readily access the individual talents of HI's vast network of thousands of professionals.

The strategic plan guides Horwath International and its members as they work together each day and as they plan together to achieve success tomorrow.

### ***Déjà vu***

With its focus clearly on the future, HI's strategic plan also echoes back to the past. Nearly five decades after Horwath & Horwath International Associates was founded, the new generation of partners attempts to define the organization's ideology for the first time. While task force members manage to crystallize the core purpose, philosophy, and values they see living now in Horwath International, interestingly, it is an ideology rooted in the organization nearly a century ago.

Other than Werner Rotach, it is unlikely that the members of the task force know much about the background of Horwath & Horwath, of Laventhol & Krekstein, and of how they merged and grew. Chairman Mark Hildebrand, partner-in-charge of Crowe Chizek based in the Indianapolis office and a member of HI's board of directors, is the lead architect of the plan. The other members include Ron Cohen, chairman of the executive council of HI and of Crowe Chizek, from South Bend, U.S.A.; Hans de Kruijs, chairman of HI's international tax committee and a partner with Horwath Tax Holland in Amsterdam; David Furst, a member of HI's board of directors and former managing partner of Horwath Clark Whitehill, U.K.; Alan Johnson, managing partner of Horwath Hong Kong and chairman of HI's Asia Pacific Regional Organization; Sotero Peralta, managing partner of Horwath Sotero Peralta & Asociados of Santo Domingo in the Dominican Republic and a member of HI's board of directors; Claus Peter Scheucher, managing partner of AWT Horwath GmbH in Munich.

These strategic planning members are also likely unaware that both Horwath & Horwath and Laventhol & Krekstein shared a distinctive business philosophy. That they liberally shared knowledge and resources. That they nurtured the well-being of their colleagues, their clients, and their communities. That they generously invested in their staff members. And

that they accomplished all this at a time when these were uncommon practices.

And yet the strategic plan the committee develops in 2005 reflects directly back to 1915 when Edmund and Ernest Horwath first established Horwath & Horwath. For the first time, Horwath International documents its core values, and – *déjà vu* – these are the same values first embraced by Edmund and Ernest Horwath, and later by Lewis Laventhol and I.H. Krekstein.

Through world wars, depressions, professional, political, and economic turmoil, the growth of a two-partner practice into one of the world's largest professional service organizations, these values have endured, representing what Horwath International stands for – yesterday, today, and tomorrow.

*“Caring, sharing, investing and growing are the high-level values by which Horwath International and our member firms desire to live, in working among each other and the international business community. If we care, share, and invest in each other, our people and our international clients, we will grow and build the value of our international business network.”*

*Horwath International strategic planning task force*

*September 15, 2005*



*Mark Hildebrand, CEO of Crowe Chizek of the U.S. Midwest and a member of the board of directors of Horwath International, is helping to guide Horwath International's future as the chairman of the strategic planning task force and incoming chairman of Horwath International.*



*Horwath International CEO Werner Rotach with his wife, Barbara, at the closing banquet during the 2003 HI annual meeting in Berlin. Barbara Rotach has played a valued role in developing and sustaining the Horwath "family" connections by staying in touch with spouses, encouraging their attendance at annual meetings, and welcoming new participants.*



*Members of Horwath International around the world continue to embrace the values that have been part of the organization since its birth. Crowe Chizek of the U.S. Midwest has created the Care – Share – Invest – Grow Award to honor individuals who live these values. Horwath International CEO Werner Rotach is among the more than 30 recipients of the award, which the firm introduced in 2000. Crowe Chizek CEO Mark Hildebrand presented Rotach with the award in 2005 for “outstanding leadership in demonstrating Crowe values.”*

## Acknowledgments

To help me draw the picture of Horwath International over a period of more than 90 years, I called upon many people in many countries. It proved to be a pleasure to renew old acquaintances and to make new ones.

Whether someone provided the answer to one question or helped me find the answers to dozens, each person was invaluable in creating *Caring Sharing Investing Growing: The Story of Horwath International*. My thanks to every one of you for your ideas, your answers, and your advice.

It was HI CEO Werner Rotach's encouragement and support of my offer to write the Horwath International story that launched me on this journey. When I travelled to New York to do research for the book, I stayed in his Manhattan apartment within walking distance of HI headquarters. Werner also arranged to move boxes of files from the archives to HI's office for my research. Werner and his wife, Barbara, treated me like a king during the two months I was there, making this one of my most memorable visits to New York.

Among the interviews I conducted, Werner and Ely Graciá's knowledge about Horwath & Horwath and Horwath International yielded invaluable information. Werner has been with Horwath since 1964, and Ely, who retired in 2004, had joined the association back in 1961. Their vivid memories of people and events made it a pleasure to interview them. Regrettably, I could not include all of the stories they shared – or this would have been a two-volume book!

In the fall of 2005, I sent Werner and Ely a first draft of a few chapters of the book to review. Their positive reaction was important to me, but most important was their commitment to support me in this endeavour. They not only shared their memories, but also provided valuable advice regarding the content and organization of the book and checked my facts and figures.

Werner also organized a meeting with Corinne LaBossiere of CGL Communications in Toronto, who agreed to act as editor. Corinne, who has done work for HI for over a decade, had the challenge of interpreting my English and editing my draft manuscript with the goal of portraying the fascinating and complex story of Horwath from 1907 to 2005.

We held the kick-off planning meeting for the book in early October 2005 in New York with Werner, myself, Corinne, and Ely, who flew in from Miami for the occasion. It became clear at that point just how much work lay ahead to produce this special book.

In February 2006, we met again in Miami, going through the first draft in detail. Ely was a wonderful host, doing his best to ensure we accomplished what we needed to in the short time we had – without being distracted by the beautiful weather and locale.

Ron Cohen, chairman of Horwath International and the former managing partner of Crowe Chizek of the U.S. Midwest, was my first interview. I've known Ron since his firm joined HI in 1991 and especially appreciated his external perspective on the rebuilding of HI's U.S. representation following the collapse of Laventhol & Horwath.

A special experience was having an opportunity to speak with several retired Horwath & Horwath partners who helped me piece together gaps in my information. These included Robert Leone and Bernie Morgan, who were partners in the New York office during the Horwath & Horwath and Laventhol & Horwath days. Bernie provided me with a bound volume of copies of the *Horwath Accountant* newsletter from the years 1961 to 1967, which were most helpful for my research.

Ely put me in touch with Stanley Klosinski, who was also a partner of Horwath & Horwath and is now living in Tampa, Florida. During a phone interview, Stanley provided me with information for the book, and also connected me with Eugene Lott, former managing partner of Horwath & Horwath.

Eugene, who co-authored the 1984 book, *The History of Horwath & Horwath International*, provided information plus copies of 1951 and 1964 speeches by Ernest Horwath and an article regarding the history of Horwath & Horwath written on the occasion of the firm's 50<sup>th</sup> anniversary in 1965.

Ely also contacted and introduced me to John Lesure, another former partner of the Horwath & Horwath New York office, who provided helpful insights.

While some of these retired partners are now in their mid-80s, they still have good memories about their time at Horwath. I am very thankful and honoured to have had the pleasure of talking with them while preparing this book.

It took some time to secure a phone number for Juan Seif in Caracas, Venezuela, president of Horwath & Horwath International from 1984 to 1988, but I finally managed to reach him. It was delightful to reconnect – it had been 15 years since we had last been in touch. Although now 85 years old, he was an excellent source of information and his memories seem to be as vivid today as when he retired in 1990.

While I was in Miami in February 2006, Guillermo Rocha, a retired founding partner of Rocha y Maldonado of Mexico City and a former vice-

president of HHI, now living in Florida, brought some pictures from the old days and related stories from pre-HI and early HI times. Germán Maldonado, the former managing partner of Rocha y Maldonado, thoughtfully sent photos from those early HI days as well.

I also had great success with Horwath colleagues currently serving as regional directors or chairmen: Wael and Kamel Abou Chakra of HI's Middle East region; Clement Chan, Joe Chang, and Alan Johnson of the Asia Pacific region; James Gemmell of the European region; Eduardo Pestarino of Latin America and the Caribbean; and Don Pangburn of the North American region. Even though I bothered some of them more than once, they patiently and quickly provided me with what I needed.

Julian Jacoby, HI's international accounting and assurance services director, supplied background on the changes in the U.S. and worldwide accounting profession over the years. He also brought to my attention the book, *Foundations for the Future: The AICPA from 1980-1995*, by Philip Chenok, former president of the American Institute of Certified Public Accountants. The book provided important context regarding the demise of Laventhol & Horwath.

I'd also like to express my appreciation to the staff members of HI headquarters who patiently helped me with document searching, scanning, copying, and technology challenges – and who were always friendly, helpful, and interested. These include Robyn Zappola, executive assistant and office manager; Sarah Heffez, graphic design and information services; Kathleen Moran, administrative services; Sofia Davis, administrative assistant; Andrew Leong, information technology manager; Ghassan Jarrous, system administrator specialist. Thank you all for making my time in New York so pleasant and for helping me to achieve my goal.

“When the dictionary doesn't help, ask Morna.” I wrote this on a note so I wouldn't forget to contact Morna Gemmell of Woking, U.K. when I could not find a word in my dictionary. Her e-mail address was a direct conduit to the right answer. Thank you, Morna. I'm keeping your e-mail address handy!

When I was writing about the early years of Edmund and Ernest Horwath, I needed to find a number of Hungarian words. My dear friend, Dr. Laszlo Gyarmati, told me how to write the correct Hungarian terms and shared his memories of Budapest before he left in 1956.

A telephone call from Barbara Rotach always brought me back to earth. Barbara took care that I did not get lost in documents and letters. While I was in New York, she arranged for a trip to Ellis Island, walks in the woods, weekends with the Rotach's family and friends, and an evening at the opera. All of these offered wonderful compensation for the time I spent away from

home and created special memories of my time in New York. Barbara also made inquiries with the University of Mississippi, secured the information I needed regarding the references to Laventhol & Horwath in *Foundations for the Future: The AICPA from 1980-1995*, and clarified copyrights.

Ruedi Fleischman, my former partner for more than 25 years, collected a variety of documents for my research. One of the most valuable was old HI directories, which provided names, numbers, locations, and helpful statistics. He also shared with me his memories of HI. What a treasure trove that was, considering that HI's 2006 annual meeting in Cape Town, South Africa will be the 35<sup>th</sup> that he has attended!

Doug Thompson, president and CEO, and executive vice-president Kathy McDonald filled me in on the background and progress of CPAmerica since the organization joined HI as AFAi in 1997. I had met Doug at that time and he subsequently participated at some of our regional directors' meetings. I was impressed to learn what he has achieved since then – today CPAmerica includes more than 70 firms across the U.S.

Last but certainly not least, I want to thank my family members, who, although only indirectly involved with this project, provided the support and encouragement that made it possible.

My daughter, Gabriella, helped me from the beginning by teaching me how to prepare a professional manuscript on the computer and how to track changes. When computer problems arose (and they did), she was always available – whether I was in New York, Spain, or Zurich. Her support was very comforting. Gabriella, as well as Barbara Rotach, exemplified the values of caring and sharing.

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Fernando Seglias

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## Appendix A | Legend

APRO .....	Asia Pacific Regional Organization
ERO .....	European Regional Organization
H&H .....	Horwath & Horwath (1915 – 1967)
HAP .....	Horwath Asia Pacific
HHIA .....	Horwath & Horwath International Associates (1960 – 1977)
HHI .....	Horwath & Horwath International (1977 – 1989) New York State partnership
HI .....	Horwath International (1989 – 1991) New York State partnership
HI .....	Horwath International Association Swiss Verein, from 1991
HORLAC .....	Horwath Latin America and Caribbean
L&K .....	Laventhol & Krekstein ( 1923 –1925)
LK&Co. ....	Laventhol Krekstein & Co. (1925 – 1964)
LKG&Co. ....	Laventhol Krekstein Griffith & Co. (1964 – 1967)
LKH&H .....	Laventhol Krekstein Horwath & Horwath (1967 – 1972)
L&H .....	Laventhol & Horwath (1972 – 1990)
MEHIG .....	Middle East Horwath International Group
NARO .....	North America Regional Organization
ORLA .....	Organización Regional Latino Americana

## Appendix B | Quotes of Ernest Horwath and Ivan de Naray

An address by Ernest Horwath at 1951 Horwath & Horwath partners' meeting, Green Briar Hotel, New York

*"I am glad and happy to be here today to have the opportunity to meet and greet each of you personally. I wish I could see you more often, and believe me I would, if it were not for the physical difficulties I have to contend with. Distasteful as the subject may be, the arthritic pains in my left hip and leg deters my traveling as I did in the past. And also let me remind you, that Horwath & Horwath has expanded from the Atlantic to the Pacific coast, having so many more offices, partners and executives that if a number of systematic, periodical visits were to be made yearly to each, practically the entire time of one partner would be required. Probably this is the penalty of 'growing up.'*

*"Mr. Podd, our managing partner (of the Chicago office), has done an excellent job of visiting with you in the Mid West and South, with occasional trips to the East and the Pacific Coast. He was ably assisted in these periodical visits to you by Messrs. John N. Horwath, Lee and Lott from the Chicago office, and Messrs. Mino and McNamara from the New York office.*

*"Yes, we have grown. I am proud of our growth, but I want to say to you in all sincerity that I am much prouder of you men who have made that growth possible. Without cooperation, it would not have been possible to grow to our size. And consequently, a meeting such as this could not be afforded. So, let me ask you to keep up the spirit of cooperation which made us the leading firm in hotel accounting. Please discuss the professional problems which happen to be your responsibility as according to the old adage: 'two heads are better than one' and this is still good advice.*

*"Another thing that I want to say is: think well and speak well of our clients, your associates and co-workers. At times our patience may come near to be exhausted. Don't let this be shown. Don't believe every accusation, slur or belittling remark. Be sure of your ground before you condemn a fellow.*

*"I know that you are not gathered here on this occasion to hear me talk. There are other and more important features on the program but I do appreciate the opportunity to say these few words. Thank you one and all."*

A 1965 address by Ernest Horwath on the occasion of the election of Eugene Lott as the first full-time managing partner of Horwath & Horwath.

*“I am grateful to God for having made it possible to be with you on this occasion. I am thankful for your gracious invitation indicating that you still include me as one of your comrades despite the fact that for the past five years I have not been as close to you as formerly.*

*“We all must realize that aging is unavoidable. As the years pass by, we are kept aware of the changes that confront us. Young men and new, fresh ideas demand to be given an opportunity to prove their growth. I am glad to know that you follow this reasoning.*

*“Keep the principle of recognizing ability as a foremost thought. Maintain sympathy, avoid disagreements, and never fail to show the highest respect for the family life of your associates. Be generous, be patient in your decisions. Rather be called reasonably unselfish than be accused of greediness. Take care of your health. God bless you”.*

Ernest Horwath later presented Eugene Lott with this address, along with the following note in his own handwriting: *“To Gene, which is admired by Ernest his partner, 10/20/64.”*

A letter by Ivan de Naray, published in the June 1964 issue of the Horwath & Horwath newsletter, *The Horwath Accountant*. Since it demonstrates the philosophy of the international association, the letter has been quoted many times over the years.

*“The accompanying Information about some our friends and associates in distant lands reminds me of how various musical instruments create the final and majestic whole – the symphony orchestra. Such an analogy is not nearly as farfetched as it may appear at first. The separate musical instruments are the various offices, staffs and types of specialized knowledge of our associated firms and of Horwath & Horwath. They have already shown that by working together it is possible to combine the special timbre, tone and quality of each to produce a sweep of harmony.*

*“The effectiveness of our international organization will be governed by the faith and enthusiasm of the participants. This enthusiasm has already had many encouraging demonstrations, and it is quite obvious that those who sow will also reap and that actions call inevitably for reactions.*

*“Horwath & Horwath International Associates, which was only a dream five years ago, is today a working reality encircling the globe. Our clients are expanding on a worldwide basis and we must be geared to serve them wherever they need our*

services. This is in keeping with the times, for parochialism and the labored thinking of the small mind have no place in today's swiftly changing world.

*"We have been fortunate in finding compatible, friendly and dedicated professionals, who understand our dreams and the need for preserving our mutual high standards and reputations. All of us know that we are judged by those who represent us in any part of the world, and therefore it is most important that our associates be that special type of person just described.*

*"Intelligent men and women have a touch of romance and an insatiable curiosity which longs to be satisfied by knowledge of distant lands. Unfortunately, many are afraid of exposing this desire for a wider area of activity. If more did, our world would be a better one today.*

*"Although the mother tongues of our associates are diverse, we were again lucky in finding men who are familiar with our language. Beyond that, they are all highly qualified, with excellent reputations in their own countries, and our common language – accounting – brings us closely together on a technical level. The more we exchange staff members, the more uniform we make our thinking, methods and working tools, the more homogeneous our international organization will become – a most worthwhile goal.*

*"Another point possibly not realized by all of us is that some of the associated firms specialize in certain fields of accounting or have widely diversified practices which extend into many fields. As a result, the steady flow of information among associates and domestic offices is of mutual benefit, enabling our firm to have the correct answer for almost any question connected with our work that might come up in almost any part of the world. With the help of modern systems of communication, necessary information usually can be supplied very rapidly.*

*"The inter exchange of ideas broadens human horizons, and men suddenly discover that there are a number of effective ways of accomplishing many things, not just the one way with which they happen to be familiar. Communications are of vital importance in the world today, and the greater the flow of information and exchange of ideas becomes between peoples of the earth, the stronger will be international understanding, to the benefit of mankind.*

*"We want to develop a close family-type feeling among our associates; we should all personally know them and they one another in order to further the friendship and esteem that members of a good organization should have for each other."*

## Appendix C | Officers of HHIA, HHI, HI

Officers: presidents, chief executive officers, council members, board of directors, regional directors

### President Emeritus

de Naray Ivan L., .....U.S.A. 1974 - 1995

### Presidents, Chief Executive Officers

de Naray, Ivan L.	President	U.S.A.	1962 - 1974
Seidman, Victor I.	President	U.S.A.	1974 - 1978
The Lord Hirshfield, D.	President	U.K.	1978 - 1984
Seif, Juan A.	President	Venezuela	1984 - 1988
Lait, Brian H.	President/CEO	U.K.	1989 - 1990
Rotach, Werner E.	CEO	U.S.A.	1990 - 2006

### Horwath International Council Members

*(Names in bold letters represent council chairmen)*

Name	Country	
Abou Chakra, Wael K. ....	Lebanon	1995 - 2002
Ackermans, Stan J.M. ....	Netherlands	1989 - 1999
Amirkanian, René ....	France	1981 - 1986
		1990
		1995 - 1996
Angleys, Ferdinand ....	France	1973 - 1977
Bavly, Dan A. ....	Israel	1969 - 1978
		1981 - 1994
Belew, Jim ....	U.S.A.	1995 - 1997
Benson, Benjamin ....	U.S.A.	1980 - 1988
<b>Bernstein, George L.</b> ....	<b>U.S.A.</b>	<b>1980 - 1989</b>
		1990

Bloom, Martin H. ....	Australia	1991 - 1996 1999
Carpizo, Tirso .....	Mexico	1974 - 1975
<b>Castillo, Emilio</b> .....	<b>Mexico</b>	1990 - 1994 <b>1994 - 2000</b>
Clark, Andrew .....	Ireland	1998 - 2002
<b>Cohen, Ronald S.</b> .....	<b>U.S.A.</b>	1992 - 2000 <b>2000 - 2002</b>
Connolly, Graham J. ....	Australia	1984 - 1990
Conti, Salvador F. ....	Brazil	1981 - 1984
<b>de Naray, Ivan L.</b> .....	<b>U.S.A.</b>	<b>1965 - 1974</b>
<b>Ferst, L. Robert</b> .....	<b>U.S.A.</b>	<b>1976 - 1980</b> 1981
Ferst, D. Stanley .....	U.S.A.	1974 - 1980
Flynn, John D. ....	Australia	2000 - 2001
Forge, Robert A. ....	Australia	1978 - 1981
Freedman, L. David .....	Canada	1989
Freundlich, Stanley H. ....	U.S.A.	1992 - 2002
Gelfond, Lawrence P. ....	U.S.A.	2001 - 2002
Gemmell, James H.F. ....	U.K.	1995 - 2002
Goldberg, David .....	U.S.A.	1973 - 1982
Goldstein, Michael .....	U.S.A.	1981 - 1990
Graciá, Eliberto J. ....	U.S.A.	1991 - 2002
Greene, Stephen P. ....	U.K.	1991 - 1994
Grobstein, Michael J. ....	U.S.A.	1992 - 1994 1997 - 2002
Grossman, Allan S. ....	Canada	1993 - 2001
Halvax, Günter .....	Austria	1998 - 2001
Hatcher, Bruce M. ....	Australia	2002
Hecker, Harvey S. ....	Canada	1977 - 1988
Hipps, Paul A. ....	U.K.	1988 - 1991 <b>1991 - 1994</b>
Howell, Dean W. ....	Australia	2001 - 2002
Janeba-Hirtl, Emile .....	Austria	2001 - 2002
Johansson, Sven-Erik .....	Sweden	1977 - 1991
Johnson, Alan .....	Hong Kong	1991 - 2002
Kraan, Pieter .....	Netherlands	1980 - 1986
Krekstein, I.H. ....	U.S.A.	1968 - 1973
Lait, Brian H. ....	U.K.	1989 - 1990
Langton, Edward L. ....	U.K.	1974 - 1986

Lappen, Stanley J. ....	U.S.A.	1978 - 1980
<b>Levine, Robert N.</b> .....	<b>U.S.A.</b>	<b>1989 - 1990</b>
The Lord Hirshfield, Desmond, C. ....	U.K.	1966 - 1984
Maldonado, Germán .....	Mexico	1977 - 1981
McCabe, Ian G. ....	Hong Kong	1967 - 1973
Mino, Fred L. ....	U.S.A.	1965 - 1967
Mok, Wai Ling .....	Malaysia	1998 - 2002
Nisker, H. Ab .....	Canada	1973 - 1976
Nolin, Joseph H. ....	U.S.A.	1967 - 1968
Peralta, Sotero A. ....	Dominican Republic	1985 - 1989
Pestarino, Eduardo J. ....	Argentina	1998 - 2002
Rauchfuss, Manuel .....	Germany	1998 - 2002
Rocha, Guillermo .....	Mexico	1965 - 1974
Rosenbloom, George L. ....	U.S.A.	1971 - 1974
Rooke, Carl J. ....	Australia	1997 - 1998
Rotach, Werner E. ....	U.S.A.	1982 - 2002
Saint-Pierre, Raymond .....	France	1979 - 1981
Schülen, Werner .....	Germany	1988 - 1997
Segal, Malcolm .....	Rep. South Africa	1990 - 1991
Seglias, Fernando .....	Switzerland	1997 - 1998
Seidman, Victor I. ....	U.S.A.	1974 - 1978
Seif, Juan A. ....	Venezuela	1965 - 1989
Simpson, David .....	Ireland	1993 - 1994
Sober, Phillip .....	U.K.	1982 - 1990
Solomon, Kenneth I. ....	U.S.A.	1985 - 1990
<b>Spilberg, Joseph F.</b> .....	<b>U.S.A.</b>	<b>1973 - 1977</b>
Stevens, Neal .....	Australia	1973 - 1977
Thompson, Douglas H. Jr. ....	U.S.A.	1998 - 2002
Thorn, Ronald H. ....	Australia	1969 - 1973
van Raalten, Gijs G. ....	Netherlands	1988 - 1988
Wolman, Frank W. ....	Canada	1965 - 1974
Zhu, Zhen Chang .....	China	1995 - 1997
Zitterer, Jack E. ....	Canada	1965 - 1966

## Horwath International Board of Directors (established 2002)

*(Names in bold letters represent board chairmen)*

<b>Cohen, Ronald S.</b> .....	U.S.A.	2002 - 2006
Hildebrand, Mark .....	U.S.A.	2002 - 2006
		<b>2006 -</b>
Chang, Joe .....	Taiwan	2002 - 2003
Furst, David .....	U.K.	2002 -
Howell, Dean .....	Australia	2002 - 2004
Janeba-Hirtl, Emilie .....	Austria	2002 - 2006
Johnson, Alan .....	Hong Kong	2004 -
Mok Yuen Lok .....	Malaysia	2002 -
Peralta, Sotero .....	Dominican Republic	2002 - 2006
Rauchfuss, Manuel .....	Germany	2002 -
Rotach, Werner E. ....	U.S.A.	2002 - 2006
Stibbard, Michael .....	Australia	2004 -

## Horwath International Regional Directors

**APRO** (Asia Pacific Regional Organization)

Wong, Samuel M.H. ....	Hong Kong	1980 - 1987
Graciá, Eliberto J. ....	U.S.A.	1987 - 1989
Johnson, Alan .....	Hong Kong	1989 - 2004
Chan, Clement .....	Hong Kong	2004 -

**ERO** (European Regional Organization)

*(From 1975 to 1983, this region had chairmen;  
regional director role was introduced in 1984)*

The Lord Hirshfield, Desmond, C. ....	U.K.	1975 - 1977
Boland, Harry .....	Ireland	1978 - 1979
Sober, Phillip .....	U.K.	1980 - 1982
Johansson, Sven-Erik .....	Sweden	1982 - 1983
Langton, Edward L. ....	U.K.	1984 - 1991
Sober, Phillip .....	U.K.	1991 - 1994
Seglias, Fernando .....	Switzerland	1995 - 1998
Gemmell, James H. F. ....	U.K.	2004 -

**MEHIG (Middle East Horwath International Group)**

Abou Chakra, Wael .....Lebanon 1994 -  
Abou Chakra, Kamel .....Lebanon 2003 -

**NARO (North America Regional Organization)**

Rotach, Werner E. ....U.S.A. 1992 - 2000  
Pangburn, Donald .....U.S.A. 2000 -

**HORLAC (Horwath Latin America and Caribbean)**

Graciá, Eliberto J. ....U.S.A. 1976 - 2003  
Pestarino, Eduardo J.....Argentina 2004 -

## Appendix D | Locations of HHIA, HHI, HI Annual Meetings

Year	Location		
1960	Kansas City, U.S.A.	1985	Lisbon, Portugal
1961	Dayton, U.S.A.	1986	Jerusalem, Israel
1962	Seattle, U.S.A.	1987	Chicago, U.S.A.
1963	Chicago, U.S.A.	1988	Sydney, Australia
1964	New York, U.S.A.	1989	Rome, Italy
1965	Chicago, U.S.A.	1990	New York, U.S.A.
1966	Chicago, U.S.A.	1991	Cancun, Mexico
1967	Lisbon, Portugal	1992	Athens, Greece
1968	Philadelphia, U.S.A.	1993	San Juan, Puerto Rico
1969	Mexico City, Mexico	1994	Beijing, China
1970	Toronto, Canada	1995	Palm Beach, U.S.A.
1971	Jerusalem, Israel	1996	Vienna, Austria
1972	Melbourne, Australia	1997	Club Med 1 Sailboat Barcelona, Spain
1973	London, U.K.	1998	New Delhi, India
1974	Atlanta, U.S.A.	1999	Honolulu, U.S.A.
1975	Rome, Italy	2000	Dublin, Ireland
1976	Nassau, Bahamas	2001	Sydney, Australia
1977	Munich, Germany	2002	Berlin, Germany
1978	Stockholm, Sweden	2003	Chicago, U.S.A.
1979	Boston, U.S.A.	2004	Casa de Campo, Dominican Republic
1980	Rio de Janeiro, Brazil	2005	Hong Kong, China
1981	London, U.S.A.	2006	Cape Town, South Africa
1982	San Francisco, U.S.A.		
1983	Barcelona, Spain		
1984	Toronto, Canada		