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1990 ACCOUNTING HALL OF FAME INDUCTION: CHARLES T. HORNGREN

INTRODUCTION

by

Sidney Davidson

Accounting Hall of Fame Member
Arthur Young Distinguished Service
Professor Emeritus of Accounting
and former Dean,

University of Chicago Graduate School of Business

It is my great personal pleasure to present the citation for “Chuck” Horngren on his induction to the Accounting Hall of Fame. We all know “Chuck” as an excellent teacher, a dedicated contributor to the effective working of the accounting profession, and a truly outstanding author. But as a friend for three decades and as a colleague in various endeavors for much of that time, I can testify to more than that. “Chuck” is a warm, friendly soul, always willing to help, doing more than his share of the work without claiming credit for it. There is not a single malicious bone in his body. My life has been enriched by knowing him, working with him, and enjoying his company and that of Joan for these many years. With memory of this lifetime of friendship, I am proud to read this citation.

INDUCTION CITATION

by

Thomas J. Burns

Professor and Chairman

Committee on Accounting Hall of Fame
Faculty of Accounting & Management Information Systems
The Ohio State University College of Business

Among the few most influential teachers of his generation, he has been a dominant force in changing the traditional courses in internal accounting from cost accounting's overemphasis on accumulation and calculation of product costs, to managerial accounting, which explores the uses of costs for various purposes. A chief

vehicle for this change has been his text, *Cost Accounting: A Managerial Emphasis*, first published in 1962. In writing this text, he was heavily affected by the paperback published earlier at the University of Chicago, by his mentor William J. Vatter. In turn, Vatter had been much influenced by earlier, University of Chicago faculty, Billy Goetz, James O. McKinsey, and certainly J. M. Clark.¹

As a student, he has always responded to demanding and motivating teaching, starting with his mother who gently corrected his language at mealtime; the nun, Sister Olive, in 7th and 8th grades; especially stern Inez Strohm in high school, who taught him English (his best subject) and literature; his first accounting instructor at Marquette, Herman Loebli; those at Harvard who taught management and control (and from which he received an MBA); and, of course, Bill Vatter at the University of Chicago (where in order, to teach, he entered the doctoral program), who showed him what a stimulating educational environment can be.

This patrician professor was born into a blue collar Milwaukee neighborhood of what was then called a mixed marriage. There were two children; his sister is a decade younger. His mother was Irish Catholic and his father was Swedish Lutheran. The father worked for over 40 years as a mail clerk on the Milwaukee Road. The son grew up within sight of a major set of railroad tracks and a large A. O. Smith factory.

When he was seven, he wanted to be pope but became discouraged over how Pope "Chuck" would sound. When he was eight, he decided to become a major league baseball player (after his father, an avid sports fan, took him to Sunday double-headers with the Brewers). His hero was Lou Gehrig (whom his father teasingly called a "bum"). He still remembers his ecstasy at his first big league baseball game with the Yankees and the White Sox, Gehrig hit *two* home runs in his first two times at bat, singled and walked. At nine, he reluctantly gave up this goal when he found he didn't play well enough. Thereafter, he lacked a goal until his junior year at Marquette; where, after tutoring accounting to basketball players and disabled veterans, he discovered that teaching was what he wanted.

After high school, he went immediately into the Army (during WW II). Because of a shortage of engineers, the Army sent him to

¹Each of these faculty members made memorable contributions to the literature especially J. M. Clark in his *Studies in the Economics of Overhead Costs*, first published by the University of Chicago Press in 1923 and reprinted in 1971.

take pre-engineering at Ripon College and then on to engineering at Texas A&M. After leaving the military and graduating from Marquette University and a period of working many twelve-hour days at a Big Eight firm, he took a teaching job of 30 classroom hours a week with Spencerian College, a for-profit business college. Always a cautious person, he thought if he could like teaching with such a schedule, he would have found his calling. And, of course, he had.

In 1955, he earned his Chicago doctorate with a dissertation on the uses of financial statements;² however, there was one delay. His wife, Joan, upstaged him by giving birth to their first child, their only son, Scott, on the very same morning his oral defense was scheduled.

Despite the fictional advice of Thomas Wolfe, he went home again, first with Marquette University and then with the University of Wisconsin-Milwaukee. He taught a wide variety of courses to a wide variety of students and worked with a wide variety of colleagues, including the stimulating Jim March³ and the co-author of his first text, Jerry Leer. He even conducted a small CPA practice.

But in 1959 he was lured back to a tenured post with the University of Chicago. His many challenging colleagues included Sid Davidson — the leader, Nicholas Dopuch, David Green and, of course, George Sorter.⁴ In 1965, he joined the Stanford Faculty.

²His doctoral thesis, *Implications for Accountants of the Uses of Financial Statements by Security Analysts*, written in 1955, was published by the Arno Press in 1975. His first text was *CPA Problems and Approaches to Solutions*, in two volumes, co-authored with Jerry Leer. Since 1978, he has been the consulting editor for the Prentice-Hall series in accounting. For this publisher, he is the now author of four texts: *Cost Accounting: A Managerial Emphasis*, Seventh Edition, 1991 (with George Foster); *Introduction to Financial Accounting*, Fourth Edition, 1990 (with Gary L. Sundem), *Introduction to Management Accounting*, Eighth Edition 1990 (with Gary L. Sundem), and *Accounting*, 1989 (with Walter T. Harrison, Jr.).

³March had five children, Horngren comments about two in his "Response."

⁴He had taught Sorter his first accounting course in 1953. He remembers him as a stimulating student. Sorter is currently the Vincent C. Ross Professor of Accounting at New York University. Green is currently a Vice President of the City University of New York and Professor of Accounting at the Bauch College of the same institution. Both Green and Sorter earned the Ph.D. degree from the University of Chicago also. Dopuch, a University of Illinois Ph.D., is currently the Herbert and Dorothy R. Moog Professor of Accounting, Olin School of Business, Washington University, and was on the University of Chicago faculty from 1961 to 1983. Davidson, a Hall of Fame member, is the Arthur Young Distinguished Service Professor Emeritus of Accounting (the first Arthur Young Professorship

After twenty-five years at the Stanford Business School, during which time their MBA program has achieved the top ranking, this professor has led the world in developing managerial accounting not only in his classes but especially with his writing. Moreover, with the help of his senior colleagues, particularly Bob Jaedicke and Bob Sprouse, he has also fostered two generations of academics who have achieved much eminence in their own right, first Chicago-bred, Joel Demski, his former student, and Bill Beaver; and later, George Foster, Jim Patell and Mark Wolfson.⁵

He analyzes himself as a teacher as follows: "My strengths include: tight organization, full preparation, patience, avoidance of sidetracks, enthusiasm for subject, starting and stopping classes on time, no browbeating of students, and knowing names of students." He goes on to include his self-assessed weaknesses: "little flexibility, erratic abilities to listen to student comments, relatively little time spent reading papers and providing feedback, and little time devoted to getting acquainted with students personally." He reports he is not a "Mr. Chips" possibly because his class size is about sixty and other professional obligations mount.

He has further been a national leader in such organizations as the American Accounting Association (a member since 1957 and a past president), the American Institute of Certified Public Accountants (on the Accounting Principles Board from Opinion 13 through 31) and the National Association of Accountants (espe-

at any university) and a former Business School Dean at the University of Chicago. Along with Horngren, Davidson, Dopuch and Sorter have received the American Accounting Association's Outstanding Accounting Educator Award.

⁵Jaedicke, who retired this summer as Dean of the Business School, continues as the William R. Kimball Professor of Accounting. Sprouse, who left Stanford to join the Financial Accounting Standards Board when it was founded (becoming the Board's Vice Chairman), is now the Distinguished Accounting Research Professor at San Diego State University, his alma mater. Both Jaedicke and Sprouse earned Ph.D. degrees at the University of Minnesota. Leaving Stanford in 1985, Demski is now the Milton Steinbach Professor of Information and Accounting Systems at the Yale University's School of Organization and Management. Beaver is the Joan E. Horngren Professor of Accounting at Stanford. Both Beaver and Demski earned their Ph.D. degrees at the University of Chicago and have received the American Accounting Association's Outstanding Educator Award. Foster, who earned his Ph.D. degree at Stanford, is currently the Paul L. and Phyllis Wattis Professor of Accounting there. Patell, who earned his Ph.D. degree at Carnegie Mellon University, is the Walter Kenneth Kilpatrick Professor of Accounting at Stanford. Wolfson, a University of Texas Ph.D., is the Joseph McDonald Professor of Accounting at Stanford.

cially its CMA program)⁶. Widely honored, he usually wins awards the first time they are offered; he also holds two honorary doctorates.⁷

He is devoted to his family: wife, four children, three grandchildren, and his sister. All live on the west coast. He calls his wife, Joan, his “balance wheel.” In a unique gesture, he funded a Stanford accounting professorship in her name, even if she didn’t ever remember what the initials “APB” stood for.

He is a fan of Bay area sports teams. However, his interest in the Giants and the Athletics has never been what his father’s would have been.

Always the consummate academic, always the model for each of us, he is a most worthy successor to that line of inspirational professors who have been inducted into the Hall. He unsmilingly believes that teaching is a noble profession and the harder you work, the luckier you get. He is the 50th inductee into the Accounting Hall of Fame.

CHARLES THOMAS HORNGREN

⁶A CPA, Horngren served on the Accounting Principles Board for six years, the Financial Accounting Standards Board Advisory Council for five years, and the Council of the American Institute of Certified Public Accountants for three years. For six years, he served as a trustee of the Financial Accounting Foundation, which oversees the Financial Accounting Standards Board and the Government Accounting Standards Board. In addition to being a member and past president of the American Accounting Association, Horngren has also served as Director of Research and currently serves on the Accounting Education Change Commission. Horngren is also a member of the National Association of Accountants, where he was on its research planning commission for three years. He was a member of the Board of Regents, Institute of Management Accounting, which administers the Certified Management Accountant examination.

⁷He received the American Accounting Association’s Outstanding Accounting Educator Award in 1973 when the Association initiated an annual series of such awards. In 1985 the American Institute of Certified Public Accountants presented its first Outstanding Educator Award to Horngren. The California Certified Public Accountants Foundation gave Horngren its Faculty Excellence Award in 1975 and its Distinguished Professor Award in 1983. He is the first person to have received both awards. He received an honorary DBA from Marquette University in 1976 and an honorary Doctor of Humane Letters from DePaul University in 1985.

RESPONSE

by

Charles T. Horngren

1990 Accounting Hall of Fame Inductee

Edmund W. Littlefield Professor of Accounting

Stanford University Graduate School of Business

Occasionally I give an after-dinner speech. This is the first time that I have given a before-breakfast speech. I know which audience wants a shorter speech, so I shall behave accordingly. Moreover, at this early hour, I do not intend to dwell on controversial accounting issues.

Obviously, I am overwhelmed and overjoyed to receive this lofty honor. I deeply appreciate being included in a roster of such distinguished accountants.

Learning and Gratitude

A professor's career is heavily affected by his or her teachers, colleagues, and students. Mine is no exception. No matter where I have worked, I have always benefitted from the stimulation of those around me. Because I might carelessly overlook mentioning some deserving names, today I will not name specific individuals who have earned my gratitude. For the most part, they know their influence. I am indebted to each of them.

An academic career has been very satisfying for me. In particular, helping others to learn is a gratifying endeavor.

The teaching of accounting has provided concrete self-satisfaction. Compared to many subjects, the body of knowledge in accounting courses is relatively well-defined. So a teacher can obtain quick feedback on the amount learned by students, even on a day-to-day basis.

All in all, in over forty years of teaching, I have had at least 12,000 students in various classes. Because I habitually invite comments and questions, I invariably obtain useful knowledge and insights from students. As you can plainly see, I was not born yesterday. However, I am convinced that students have kept me younger than I would be otherwise.

Of course, there are cost and benefits from almost everything we do. Having had so many students, I always try to be on my best behavior. Big brother may not be watching, but a student may be looking — especially in airports. You can judge whether such a phenomenon is a cost or a benefit.

Every once in awhile, I get a note or a letter from a grateful

student. Such kind words lighten my spirits enormously. Have you ever written an appreciative note to a former teacher? I remember, as an 18-year old army private, writing a thank-you letter to my stern, demanding, motivating high-school English teacher. It made me feel good that I took the time to recognize superb teaching. I especially urge the younger members of this audience to write at least one similar letter to a special teacher of theirs — not next year, but next week. Just do it.

Through the years, I have learned much from steadily interacting with practitioners in public accounting, financial officers, and managers of all kinds here and abroad. Almost without exception, they have been generous with their time, their information, and their thinking. I am a strong supporter of having more professors exploring all three sides of the triangle of teaching, research, and practice. The more who do so, the stronger all three sides will become.

An efficient way to learn from professors about accounting research and teaching is to join the American Accounting Association and attend its meetings. Similarly, an efficient way to learn about practice is to join, attend meetings, and be as active as possible in such organizations as the American Institute of CPAs and the National Association of Accountants. I wish that more professors did so. The triangle would be stronger and tighter.

Convoluteds Paths Through Time

Earlier I aimed some words at the younger members of this audience. What follows will probably be of more interest to older than younger members. I'll be mentioning some familiar names, not in the sense of gratitude, but in the sense of how relationships sometimes intertwine over many years.

1. For many summers I have been teaching in the Stanford Executive Program, which meets for eight weeks, five days a week, including July 4. On July 4, 1988, I happened to be teaching one of the three scheduled classes. The other two classes were taught by Hal Leavitt, the managerial psychologist, and Ezra Solomon, well-known in finance and economics. We had been colleagues at the University of Chicago in 1953, thirty-five years before. What is the probability of such an event? Careers, like all of life, take unexpected twists and turns.

2. Two of my four children have taken accounting courses. One incident seems worth noting. My oldest daughter has a degree from Stanford, 1980. When she was a sophomore, she was ran-

domly assigned a dorm room. Her roommate turned out to be the granddaughter of H. A. Finney and the daughter of Steve Finney, partner of Touche Ross, Chicago office. (For those of you too young to know, H. A. Finney was a prolific author of accounting textbooks for Prentice-Hall for nearly half a century). Moreover, these two young women had independently enrolled in an undergraduate elementary accounting courses. Their textbook was *Financial Accounting* by Davidson, Stickney and Weil. Their teacher was Stan Baiman, a Visiting Professor.

3. When I was teaching at the University of Wisconsin-Milwaukee, the senior member of the accounting faculty was Jim March. Incidentally, he wrote a book on cost accounting. Jim had several children with special talents. A son, John, rose to the top management at Arthur Anderson & Co. before departing to become a member of the FASB. Another son, Jim Jr., is my colleague at Stanford. He is a world-renowned researcher in organization theory. Jim Jr.'s son was as student in two of my classes at Stanford. So I have known three generations of Marches. The world sometimes seems small.

Non-Comments on Current Issues

Please note that I have said nothing yet today about recent developments in management accounting, financial accounting, and accounting education. Especially at this hour, I suspect that nobody here is disappointed.

Twenty years ago I gave a speech, "The Accounting Discipline in 1999", at the annual meeting of the American Accounting Association. Not surprisingly, when one offers a flock of predictions, some of the predictions in that paper have held up well; others have not. I was a member of the APB in 1970, then the Czars of U. S. Accounting. I stand before you as a used czar. Although it was not a prediction, I commented that most of the time the APB feels like a lone tree in the midst of 1,000 dogs. Now, twenty years later, I'll update that comment. Most of the time the FASB feels like a lone tree in the midst of 1,000 dogs. We live in times of turbulent change, but many things stay the same. This completes my commentary on current issues.

Conclusion

The greatest satisfaction of my professional life is that given the job to be done, and given the time available to do it, I have given my best. I have stressed to my children to try hard, do your

best. That's all we should ask of ourselves and others.

The least satisfaction has come from lack of time. With more time, my output would have had better quality. With more time, I would have been able to keep up with the bursting literature that overwhelms me increasingly each year.

During World War II, Winston Churchill was informed by one of his ministers of a noteworthy fact: "If all the brandy you have consumed in your lifetime were poured here, this spacious room would be filled to the top of your desk." Gazing at the ceiling, Churchill replied, "So little done, so far to go." That is my major message today — to my colleagues in accounting education, to accountants, to managers, and to students.

Given the history of our world, the arts of accounting and management are in their infancy. Developing our knowledge, skills, and attitudes begins in our universities. The foundations are laid there. As accounting educators, if we are to err in balancing between general concepts and specific techniques and descriptions, I favor erring toward the general. Moreover, our teaching should alert our students that their education here is primarily aimed at equipping them to learn for themselves throughout their professional lives.

Accounting and management education have advanced considerably since I was a student, but it has far to go. It merits serious efforts by all of us.

THE ACCOUNTING HALL OF FAME MEMBERSHIP

| <i>Year</i> | <i>Member</i> |
|-------------|--|
| 1950 | George Oliver May* Robert Hiester Montgomery* William Andrew Paton |
| 1951 | Arthur Lowes Dickinson* Henry Rand Hatfield* |
| 1952 | Elijah Watt Sells* Victor Hermann Stempf* |
| 1953 | Arthur Edward Andersen* Thomas Coleman Andrews* Charles Ezra Sprague* Joseph Edmund Sterrett* |

*Deceased

Continued on next page

THE ACCOUNTING HALL OF FAME — (Continued)

| <i>Year</i> | <i>Member</i> |
|-------------|----------------------------|
| 1954 | Carman George Blough* |
| | Samuel John Broad* |
| | Thomas Henry Sanders* |
| | Hiram Thompson Scovill* |
| 1955 | Percival Flack Brundage* |
| 1956 | Ananias Charles Littleton* |
| 1957 | Roy Bernard Kester* |
| | Hermann Clinton Miller* |
| 1958 | Harry Anson Finney* |
| | Arthur Bevins Foye* |
| | Donald Putman Perry* |
| 1959 | Marquis George Eaton* |
| 1960 | Maurice Hubert Stans |
| 1961 | Eric Louis Kohler* |
| 1963 | Andrew Barr |
| | Lloyd Morey* |
| 1964 | Paul Franklin Grady* |
| | Perry Empey Mason* |
| 1965 | James Loring Peirce |
| 1968 | George Davis Bailey* |
| | John Lansing Carey* |
| | William Welling Wertz* |
| 1974 | Robert Martin Trueblood* |
| 1975 | Leonard Paul Spacek |
| 1976 | John William Queenan |
| 1977 | Howard Irwin Ross* |
| 1978 | Robert Kuhn Mautz |
| 1979 | Maurice Moonitz |
| 1980 | Marshall Smith Armstrong |
| 1981 | Elmer Boyd Staats |
| 1982 | Herbert Elmer Miller |
| 1983 | Sidney Davidson |
| 1984 | Henry Alexander Benson |
| 1985 | Oscar Strand Gellein |
| 1986 | Robert Newton Anthony |
| 1987 | Philip Leroy Defliese |
| 1988 | Norton Moore Bedford |
| 1989 | Yuji Ijiri |
| 1990 | Charles Thomas Horngren |

*Deceased