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Robert M. Trueblood

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# **AFTER 20 YEARS**

An address by

Robert M. Trueblood  
Chairman of the Policy Group  
TOUCHE, ROSS, BAILEY & SMART

At the Touche Ross Partners Meeting  
Phoenix, Arizona, November 3, 1967

# AFTER 20 YEARS

ROBERT M. TRUEBLOOD  
CHAIRMAN OF THE POLICY GROUP  
TOUCHE, ROSS, BAILEY AND SMART

Talk given at the Touche Ross Partners Meeting  
Phoenix, Arizona November 3, 1967

## ROBERT M. TRUEBLOOD

*Robert M. Trueblood is chairman of the Touche Ross Policy Group, partner in charge of the Chicago office and national director of the firm's accounting staff. He completed his term as president of the American Institute of CPAs in 1966, and later served on the President's committee to study the basic concepts and presentation of the Federal budget. He is presently American representative to and chairman of an International Study Group representing the English, the Canadian and the American Institutes of certified public accountants.*

*Included among his contributions to the field of education are a year as visiting Ford Distinguished Research Professor at the Graduate School of Industrial Administration, Carnegie Institute of Technology, and his appearance on the Distinguished Accountants Video-Tape Series sponsored by Michigan State University. Mr. Trueblood is a frequent speaker and is co-author of three books as well as numerous articles in professional journals.*

Twenty years ago, 30 some men met on a September weekend in Highland Park, Illinois, at the first general meeting of Touche, Ross, Bailey & Smart. Although I was not to become a partner until several years later — and it seemed a very long time — I was privileged to attend that meeting. What brought those men together in that particular way and at that particular time, I cannot tell you. I was no part of the negotiations which resulted in the building of a new firm, and which marked a singular change in the professional world of accounting in the United States.

Undoubtedly our founding partners — of whom there are only 11 in this room today — had needs which compelled them towards a grouping of human, professional, and financial resources. Obviously, those founding partners had a pre-science about the development of the profession and of its advancing role in our society. Somehow those men, gathered in a small room at the Moraine, knew that our economy was about to explode in such a way that their individual firms needed support, each from the other.

### Progress of the Past Twenty Years

Growth is relative, but in these past 20 years the entire function of public practice has grown beyond the expectations of any forecasts in 1947. Perhaps subconsciously our founding partners had an awareness of change and, in establishing Touche Ross, created the mechanism for change which has now come upon us all.

- In 1947, Touche Ross had 33 partners and a staff of less than 500 in the United States. Today we have more than 200 partners and a staff many times that number.
- In 20 years, the volume of Touche Ross has increased by more than 15 times.
- On September 1, 1947, Touche Ross had 10 offices. Today we have 45 locations in the States, and 129 overseas – in 41 countries.

In 20 years, a small band of men has become a force to be reckoned with – in the accounting profession, in the business world, and in our society. In 1947, no one thought another large firm would ever be created, nor, perhaps, was such a motivation even mentioned in the negotiating sessions. But a new, large professional accounting firm was created and has survived.

Touche Ross now represents nearly 10% of the behemoths listed annually by Fortune. But I will leave to each of you the fun of figuring our present relative position in the world of accounting. To me, that is not important. Rather, it is important to me that Touche Ross – a firm at least 30 years younger than the youngest of the other major firms – is in 1967 a powerful professional force. We are a professional group which, in my considered view, has had significantly greater impact on the profession and in the business community than might be indicated or expected by our comparative size. Considering our youth and our numbers, I do not hesitate to say that Touche Ross has had relatively more impact on American society and on our profession than any of our colleagues.

### **The Reasons for Successful Growth**

Alfred North Whitehead said, “The art of progress is to preserve order amid change, and to preserve change amid order.” I submit that our partners and our changing administrations have followed the Whitehead dictum well. Our 20 years of changing people and circumstances, of changing policies and organizational structures,

have produced a viable, successful, powerful, and leadership-oriented firm. Touche Ross is a firm very important to each of us as individuals, and a firm of exceeding importance to the profession. As I have personally come by a part of that heritage, and a part of that legend, so have each of you.

There is little question that our firm has prospered in part from participation in a growing economy. Since 1947, the United States has experienced a 38% increase in population and an increase of more than 300% in gross national product. Two minor wars and heavy merger activity on the business front have helped to fire that economy.

During this period, a felicitous social environment has evolved for the practice of professional accounting. Society and government have demanded an increasing assurance from professionals, such as ourselves, that the world and each of its parts are “in good order.”

Another reason for our success is that our organization has been open-ended, flexible, innovative, creative – partly perhaps because we have had no ancient relics to preserve. We have accommodated ourselves structurally to growth, and to a variety of personnel. Given a need to change operating procedures or to adjust management plans – for economic or for people reasons – we have done so. And I trust we will continue to do so.

We have experimented in many fields. Although we were always oriented philosophically to the management services, we have advanced in that field much more boldly (and much more rapidly) than any of our peers. At a time when some saw no need (and others thought the cause hopeless), a few in our number developed an international structure which has turned out to be an imperative. Always our partners have been encouraged to give of themselves to community and social problems, even at the expense of short-term gains.

In the same way that Touche Ross has not emphasized fixed organizational goals, I think we have successfully maintained flexible personnel policies and have avoided setting fixed and standard goals for our people. We have tried hard to find the right niche for a large assortment of many

different kinds of people. I can speak with some feeling on this point because — if you will allow a subjective observation — I'm more than a bit of a maverick myself, and I certainly don't think I'm the kind of person who could ever be "all things to all men." Yet, Touche Ross has made me personally comfortable under a series of changing policy groups and management rearrangements.

Our firm, I believe, has been permissive with people. Innovations have been encouraged. Neither a stereotyped profile, nor a stylized performance, has been required. As a result, our firm has received and benefitted from a commitment and a dedication of its people in a way which is unique among professional groups. But there is a cost involved in this kind of dedication which doesn't show up on the bottom line of the income account.

I'm reminded of a bitter debate in a recent meeting of the President's Commission on Budget Concepts relating to balance sheets for the Federal government. There are those who contend that only a balance sheet is the appropriate end result of a good accounting system. But one must ask, what *is* a capitalizable asset for governmental purposes? A post office building? Clearly yes. What about a jet bomber? Well, that's not so clear. But then, what about educational and training programs? In terms of larger social purposes, is it not quite possible that expenditures for education are more of an asset to the government than a squadron of bombers?

And so it goes in our own profession. Our cadre of partners is our most valuable asset, and the amortization of their energies is not accounted for in our measurement system. Nor is there any kind of social accounting which has ever been satisfactorily designed to "cost out" the consumption of human resources. Perhaps we have over-used, on occasion, the talents of some — without careful consideration of long-term effects.

Our standards have always been those of quality: quality in product and in service, quality in people, and quality in social contribution. And those standards shall not change.

Happily, all of these scattered characteristics of our 20 years of experience have resulted in

making enough money to continue to attract people, and to give them a place to grow. Making money is a condition of survival, and we have survived. Indeed, we have gone beyond survival — to a professional posture of status and prestige.

#### **What of the Future?**

Thurber says aptly, "Look not back in anger nor forward in fear, but around in awareness." The awareness with which we must concern ourselves is the future of our profession, and changes in our societal environment. Those are the changing circumstances to which we must remain adaptive, and which will determine the future of Touche Ross. As Roy Ash indicated at an earlier session, Touche Ross can have an even larger role in this world — if we wish to assume the responsibility for *creating* change, to which others must adjust.

#### **Debate over Accounting Principles**

Today is a time of trouble and travail in the profession. I spoke to you earlier about the unsolved problems of legal liability. But for a moment, I want to consider the present turmoil and debate over accounting principles. The conclusions of that debate will have a large influence upon the future of the profession and of Touche Ross.

As we all know, accounting is not a matter of routine scorekeeping in accordance with a series of well-established, clearly-defined rules. In fact, no matter how well accounting rules may ultimately be defined, their application will still be judgmental. In complicated business transactions, the "facts" in similar cases are never identical. The best way I can state our profession's larger objectives is that we hope to make "like things look alike, and unlike things look different."

But whatever rules we adopt, we must remember that accounting is not a passive art. Accounting is rather an active social force. Empirically, it has been demonstrated that accounting decisions do have an effect upon the market place as a result of earnings per share, potential dilution of equity interests, and even in the nature of securities to be issued. But these cause and effect relationships create difficulties for us. Institutionally we're

doing our best to deal with these kinds of problems, even though some may regard our “best efforts” as a bit belated.

The Securities and Exchange Commission has the present statutory authority to do everything tomorrow that a large segment of our user population would prefer that we accomplish by ourselves through the Accounting Principles Board. The alternative of government regulation is clear, and it is simple. But in my experience, detailed regulation by most state and federal authorities – in any field – tends to become sterile and non-viable.

There is the possibility that accounting principles might be determined by the courts. But most of my lawyer friends remark – quite frankly and sometimes rather vehemently – that neither judges nor juries are particularly knowledgeable about the substance of the accounting discipline.

There is the alternative of an Accounting Court, which has been seriously suggested and discussed. I would not rule out that possible alternative, if there is any significant failure on the part of the APB.

On balance, however, it seems to me that the ultimate and larger responsibility for establishing accounting principles logically and preferably should rest on our profession. The entire matter of establishing accounting principles must be decided, and the responsibility must be quickly placed. Touche Ross must stand up and be counted. Dante said, “The hottest places in hell are reserved for those who, in a time of great moral crisis, maintain their neutrality.” The utterly permissive philosophy will never prevail. A completely detailed accounting rule book – if that is what we are to have – might better be enacted by the government than by the profession. Meanwhile, I would hope that Touche Ross will continue to fight for a practical and realistic narrowing of differences, with all deliberate speed and within the professional forums already established for that purpose.

### **The Increasing Demand for Third-Party Assurance**

Auditing, too, is a socially constructive force, and the parameters of auditing are being widened by pressures from the government and from the

public. There seems to be an increasing concern for more and more independent, objective, third-party assurances about the validity of data of all kinds, from both the government and from the public sector. But the extension of our attest role both increases our responsibility, and creates for us a kind of dilemma:

- Since our business is attestation, should we seize the opportunity for extended service before others do so?
- Or rather, having few ground rules for non-standard audits and (accordingly) undefined legal liabilities, should we proceed in new directions only with extreme caution?

What will be the outcome? Will we double or triple our attest practice? Or will we take the careful route, confining our participation to well-defined areas of activity? I would hope that Touche Ross will take the opportunistic role.

At the same time that we see future opportunities, we should not forget that present auditing methods are not fully adapted to business as it operates today. I think it's significant that nearly all of the present lawsuits are based on charges which pertain not so much to accounting principles, but rather to alleged lapses in auditing. I submit that our auditing procedures have tended to remain somewhat static and mechanistic. We have not adjusted auditing techniques to rapid and almost radical changes in business practice. I'm thinking of such matters as EDP, operations research, conglomerate structures, and so on.

Touche Ross has much to do in buttressing its own position in auditing but, more important, we should and will play, in the next several years, an important role in developing new and updated auditing standards for the profession in the States and overseas.

### **The Challenge in Taxes and MS**

If only because of their topical nature, I have mentioned current accounting and auditing problems. But I suggest that the same kind of debates

arise in the areas of taxes and the management services:

- The most impelling forward thrust in taxes is the gradual development of standards for practice and statements of responsibility.
- In management services, the definitional problem (as between problem-solving and the practice of structured disciplines) must be resolved.
- As Fortune magazine's Tom Wise told us so succinctly, there is a potentially significant public distrust of our independence in certain areas of consulting work.

All of these problems need to be settled by the profession. Touche Ross must – and will – play a leading role in their solution.

### **The Importance of Personal Integrity**

In a recent speech to the Chicago Bar, I made the comment that both of our professions must come to recognize an increasing concern on the part of the public about the moral probity of management and of management's professional advisers. There seemed general agreement with my analysis. This means that we may expect more and more concern about conflicts – real or imagined. The market place demand for extended outside, third-party assistance and assurance can be a boon to accountants. But it could also be our downfall unless we take seriously the independence, the objectivity, and the integrity which are expected of us.

In fact, the substance of our profession, as compared with medicine for example, is pretty thin. CPAs have come as far as they have because of their image of professionalism. And unless we retain that professionalism, our public acceptance will wane. We must not become so engrossed with technicalities, or with market demand, that we neglect the heart of the matter. And the heart of the matter – and the heart of our practice – is the individual partner's moral rectitude and his personal integrity.

Touche Ross is no longer either a child or an adolescent. But neither has our firm reached middle

age, which is often a time of dissatisfaction. Touche Ross is at the point in its life span when we must realize that success is not only a matter of gaining wealth, force, or rank. Rather, success is finding a way of life that keeps us growing – growing professionally and growing in responsibility.

### **Profits and Growth**

Let us take the matter of profits and bigness on their own terms. Take away profits and there will be no base for growth. But how far should we grow? Size for the sake of size is obviously not a proper goal. But in our profession today and in our economy, Touche Ross must have a size and a base which permit us to be competitive. We must support research, an international structure, and training programs even more extensive than those we now have. We must serve our clientele competitively in all three functions and in many specialties, in every corner of the world. Quite apart from the psychological satisfactions and advantages of growth, we must become still larger than we presently are – if only so that we may hold our own.

### **Image of a Profession**

You and I are living at a time characterized by an upward sweep in the expectations on the part of the public of all professions, not only our own. Accounting as a profession must meet that hope, and Touche Ross must be a part of the process that persuades society that accounting deserves and warrants this larger trust. Humility will lead us to an understanding that our professional world is indeed a great deal larger than any one of the firms which make up that world. If a single firm in the Big 8 goes down the drain, there will obviously no longer be a Big 8. But the more serious question, were that to happen, is whether there would any longer be a profession.

Involvement in any profession is a matter of self-preservation, and we are each measured by the least of our number. So Touche Ross must not only preserve itself for continuing service, but it must participate in creating the momentum which carries all practicing CPAs in this country to higher and higher standards, to larger goals, and to more significant social accomplishments.

## Flexibility in Structural Organization

Organizationally, Touche Ross must remain viable. Typically, dying organizations preoccupy themselves with putting out new editions of old rule books. But successful young organizations adjust their structures to their growth, their problems, and their people.

The founding fathers of our profession, in the latter decades of the 19th century, never conceived of the legal monstrosity which a general partnership, with hundreds of partners and each with a true proprietary right, might become. Nor has any other profession experienced the pain of this kind of organizational entity. No single accounting firm has found *the* right answer, I'm sure. But let us hope that Touche Ross may always be willing and able to adjust itself structurally, as long as even modest improvements can be found. In the process there will be tensions. I hope those tensions will be constructive tensions.

Even more important than our search for an accommodating organizational structure, should be our continued search for improvements in the quality of our professional work. Our work product is a service to society. Across all functions, technical proficiency — even technical excellence — should be assumed. But that technical expertness, whatever its cost, must always be a part of our larger concern with professional integrity.

Somewhat negatively, accountants as a class have perhaps never been sufficiently outreaching. Having passed the survival stage, both as a profession and as a firm, we must all, as Touche Ross partners, assume our burdens and our responsibilities in a changing social world. Many of our partners over the years — George Bailey, John McEachrén, Bill Werntz, and others — have spent of themselves fully in advancing and influencing the demands of the culture upon which we feed, and the government under which we live. Each of us must find for himself a role to play in the extensions of our contemporary social ferment.

## Individual Professionals in an Organization

Finally, and most important, we must remem-

ber that Touche Ross *is* people. Our organization is an amalgam of individual professionals. Our services are personal. Our relationships with clients and with society are interpersonal.

I have said before that I think we have done passing well in the business of dealing with people. But it has been better said that “men are wise in proportion not to their experience, but (rather in proportion) to their capacity for experience.”

Apart from the basic security needs of people such as food, clothing, and money, men are motivated by a wide array of interests and desires. We must attract, accommodate, and satisfy many different kinds of men, each with different hopes and goals.

Touche Ross was formed, has survived, and has achieved recognition. But to those people in Touche Ross who want and desire personal status and recognition, this too must be possible.

The innovator — the creative professional — must have an environment in which his interests will be encouraged, outside the strait-jacket of administrative sterility. The creative coloration of our firm comes from men like him.

It has been said that our graduate business schools today are tirelessly making corporate decision makers out of natural-born entrepreneurs. We must make a distinction between those who want security most, and those who prefer to be entrepreneurial risk-takers.

We must continue our permissive approach towards our professional staff — from assistants through partners. We must find and keep unusual people, so that our own inter-personal associations can be rewarding to those who look for conversation beyond the APB opinions of the day.

“Change is so swift that the ‘latest thing’ today may be old-fashioned by the time young people enter adulthood.” We must encourage our colleges to teach their graduates how to *become* competent professionals, rather than *to be* practicing accountants. We must send our staff and partners out to colleges and to other resources for retraining and for refreshment.



We are all different persons; none of us can be alike; none of us can do all of the same things well. We must come to judge our staff and our partners by standards which are reasonable in relation to their own capacities — not in relation to any kind of strait-laced average or norm, and not in relation to the highest producing partner in the firm.

We must recognize the individual for what he is, and for what he desires. Thoreau said, "If a man does not keep pace with his companions, perhaps it is because he hears a different drummer." If so, then let us permit the individualist "to step to the music which he hears, however measured or far away."

We must remember that for most committed professionals "happiness is to be found in striving toward meaningful goals. The dedicated person has not achieved all of his goals. His life is the endless pursuit of goals, some of them unattainable." This man we must hearten. And we must remember that, happily for society, the goals of many men reach far outside our profession.

### **The Future with Fear and Courage**

I believe most of us usually regard the qualities of fear and courage as opposites, but probably fear and courage should be regarded as complementary attributes. There is the humility of fear, whether it be fear of the unknown or the fear of uncertainty. And then there are the brassy, bravado characteristics of courage.

It seems to me that in order to assure the future of Touche Ross, we need to combine these complementary notions of fear and courage. Only by a *fearful humility* can we face up to a recognition of our problems, and the need for their solution. And only by exercising a kind of reckless, adolescent *courage* can we experiment with possible solutions to those problems.

During this year, and in coming years, I would hope that, as partners, we continue to share both our times of fear and our moments of courage. Only in this way can we fully meet the challenges of our society, and of our profession. And only by this sharing of courage and fear can we achieve the goals we set for ourselves and for Touche Ross.

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