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1-9-1964

Proceedings: January 9, 1964, 666 Fifth Avenue, New York, New York

American Institute of Certified Public Accountants. Long Range Objectives Committee

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P R O C E E D I N G S

LONG RANGE OBJECTIVES COMMITTEE

of the

AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

January 9, 1964
666 Fifth Avenue
New York, New York

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The meeting of the Committee on Long Range Objectives of the American Institute of Certified Public Accountants convened at nine-thirty o'clock in the Executive Conference Room of the offices of the Institute, 666 Fifth Avenue, New York, New York, Thursday, January 9, 1964, Mr. Robert Trueblood, Chairman, presiding.

CHAIRMAN TRUEBLOOD: How familiar are you with our method of operation and what we are trying to do? Would you like a little background?

MR. JOHN GARDNER: I would like a little background. I have talked with Cliff about it and we had a session, and then I talked with Cliff again about it. I read some things that looked like these. They may not have been the same, but they were the same format, but I read them perhaps September, October. So, I'd value a little background.

CHAIRMAN TRUEBLOOD: Well, this Committee has always been a small committee, three, four, five people, over time. It has been in existence for, would it be six or seven years, Jack?

MR. JOHN L. CAREY: Yes.

CHAIRMAN TRUEBLOOD: We started out asking ourselves rather specific questions relating to the profession. For example, what is the proper definition of management services?

What is its future and what should we do about it? We went through this exercise on seven or eight major subjects, such as the management services function, the education problem, the definition of accounting itself, and produced a paper on each subject for the literature and in most cases came up with the endorsement of an objective by our Council, which is our legislative body.

Then about two years ago, two years plus, we said, "Well, this piecemeal kind of thing is fun and helpful and hopefully useful, but we ought to try to be maybe just a little more global about it." That pale blue book over there was a series of questions which we tried to ask ourselves, dividing up our total problems in relation to where we would like to be, where we should be, what our problems are, and this sort of thing and in getting there, trying to look ahead in terms of some period of time, such as ten or fifteen years. There are no conclusions. There may be some inferences, but it is really the kind of thing we should be thinking about.

So, then we went into the procedure of calling in witnesses, as we call them, such as yourself--each of them expert in different areas, such as a mathematician, economist, behavioral scientist, and over in the users' field, we have had an investment banker, a commercial banker, financial

analyst and so on. Largely these were full day sessions, and I suppose today's session, which is the last, is about our twentieth.

In most cases, we have developed what we call a working paper about the conversation of the day. It has been a completely free wheeling, open end sort of thing, and the end result of the Committee's work is a manuscript or a book to be published on the future of the profession, which Jack is writing in his own name, but for the Committee and based on our consultations, which hopefully will be released about next fall, we would say.

This will not be a Committee document in the sense that it is to be coauthored. It will not be an institutional document in the sense that we do not propose in any way to have Council bless this as our program or our future, but we hope it will be a kind of road map sort of thing for various bodies of the Institute over time.

At that point, the Committee will dissolve and may, however, be replaced or it will be our recommendation that it be replaced by some sort of planning committee, also a small group, which will pick up pieces of our suggestions and toss them to the appropriate committees or groups of the Institute for action from time to time.

Because of your very special interest in the

profession or some phases of the profession, Cliff was very anxious that we impose upon you to be with us for this final session. As far as we are concerned, we can talk about any phases of the profession. One of the specific phases on which we haven't had any successful testimony is the research problems. We might like to focus on that, at least temporarily. But typically, we have asked each of our consultants to talk freely for five, ten, thirty minutes, about us and what you know about us, if you like, or we can just pass that. It is at your pleasure.

MR. GARDNER: I'd rather have a colloquy than a monologue. I would much rather have a better sense of what your questions are at this stage of your effort than plunge in and say some things, many of which you had already gone over. After all, I am touching you at the very end of a long, long endeavor, and it is very likely that a good many of the general things I'd want to say will be things you had been over, over and over again. I would be glad to tackle the research thing, and I would like the privilege of wandering beyond that, if we may.

CHAIRMAN TRUEBLOOD: It is all right with us.

MR. GARDNER: If we can keep it on a give-and-take basis, that would please me.

CHAIRMAN TRUEBLOOD: Jack, would you like to start off?

MR. CAREY: I would like to say in making the introductions, I neglected to ~~just~~ point out that Dean Roy is the director of the project in the common body of knowledge which the Carnegie Corporation was good enough to give us a push on, and Mr. MacNeill is helping him with that. That is one reason we wanted them to be here this morning, but we also wanted to get the benefit of his views, while we were having this session, on what he may have learned to date. You have been actively studying the thing now for about six months.

DR. ROBERT ROY: Just a bit over six months.

MR. CAREY: So, we might have kind of a meeting of the minds here.

One of the things I am particularly interested in, as the draftsman of this report, is that we have had very little helpful testimony on the social environment. We've got a good deal on economics. We've got a good deal on political, governmental and international environmental questions, but on the social side we haven't got much.

I have read with great interest your book on Excellence and your report as President of the Carnegie Corporation last year. In fact, I quoted from it in my report

to the Council, as pointing up some lessons we had to learn institutionally I thought, and I learned from Cliff yesterday that you have written a book, perhaps an expansion of that report, called Self-Renewal, which I have ordered. So, while we are interested in the research side, I would also hope there would be time to get your thinking on some of the questions about our society, which I think bear indirectly, at least, on the profession's concerns.

I think some of us have a feeling that since this is a rather young profession compared with the law, for example, and since it isn't too well recognized by the public at large, that it has tended to become somewhat introspective and perhaps not clearly conscious of its relationship to the entire community, and yet in my view its members are very well placed to exercise influence on the community. They are the closest people to business who have professional status. Their clients, generally speaking, are continuous and unlike the clients of most lawyers or most consultants, even physicians, who go in there when there is trouble, most of the accounting firms see their clients periodically and, therefore, could influence their thinking in many directions.

MR. GARDNER: What do you mean by the social environment?

MR. CAREY: Can we start on that?

CHAIRMAN TRUEBLOOD: Sure.

MR. CAREY: Is it possible to generalize as to whether the level of ethics in our country as a whole or standards of behavior are rising or falling? Is more being expected of people in responsible positions in the way of ethical behavior than formerly or less? You see things in the newspapers sometimes that discourage you. On the other hand, you see things that show an effort, as in Albany right now, to improve the standards of public servants. Do you have any feeling that it is getting better or getting worse?

MR. GARDNER: Well, I don't think human nature is getting any better, but I believe that the more intricately society becomes organized, the more dependence you have to put on ethical behavior of some sort or another.

I travel abroad a good deal in countries that are much less highly organized and also travel in Europe where they are fairly well organized. It is perfectly clear that in the countries which have gone in for modern organization--that phrase "modern organization" is almost redundant, because modern and organization are just part of the same thing. Modern societies are highly organized, intricately organized. The more a country does that, the more it must assume a certain

level of ethical behavior on the part of individuals. You cannot run these tightly interlocking and involved organizations without a lot of assumptions. You can't go picking up after everybody and watch them the way a Latin American shopkeeper watches his clerks. You just can't do it.

Now, since human nature is not changing essentially, you are going to get a continuing amount of breakage, but I suspect that in general the citizens of these more advanced societies actually do move a considerable way toward living up to these expectations of the society, and I believe the breakage that shows itself in the newspapers every day is inevitable and will continue. Even if our ethical level advances considerably, there will never be a day when you don't find that kind of story, and we just have to expect it.

I do think the most important thing that your professional should be thinking about on the fundamental level, let's say a fundamental research level, is this trend toward ever larger and more intricately organized groupings, the extremely elaborate and still very inadequately described interlockings of American society. No one has begun to do an even adequate descriptive job on the modern organization. I shouldn't say the modern organization, the tremendous range of modern organizations. No one has even done a taxonomic job.

We need a Linnaeus who will go through the way he did in biology a hundred years ago, describing the kinds of organizations, because this country has been just immensely prolific in producing every variation on organizational flexibility and every kind of device.

I mention in the new book the use of the contractual arrangement to contract out almost any function within an organization. It isn't literally true, but it is almost true that the top manager can point to any function and say, "From here on this will be done by outsiders." There was a day when a book publisher thought that, of course, he will print his own books, make his own arrangements and so forth. They wouldn't think of doing that now, most of them. They don't think of jobbing their own books.

Several other individuals and myself formed a little corporation, a nonprofit corporation, about eight years ago called the System Development Corporation, which was to provide certain services for the Air Force, which they could not provide for themselves because they could not command the kinds of technical and trained personnel that you could get from outside. There was an odd combination in the beginning of this. They were mostly mathematicians and psychologists and engineers. This range broadened, but these men went into a

program on computer arrangements in connection with the air defense program and to do a variety of other services, centering around information processing, communications systems, computer based information systems.

Well, you would be amazed at how deeply we got into the national defense picture just serving this one function, just filling this one need, doing things that I would have said you probably couldn't do from outside. Someone of line responsibility had to do it, but when you come right down to it, if you put the person with the service responsibility in the desk next to the man with the line responsibility, you can work it out pretty well. This is a model of what I have seen over and over and over again in Washington, the contracting out of functions.

So, this little tiny thing we thought was going to serve a little bit of a role is now functioning at the \$5 million a year level, but what I started out to say is that this vastly alters the character of organizations. They are not the solid, coherent things that they used to be. There are all kinds of elaborate contractual arrangements, licensing arrangements, subsidiaries and affiliates and so forth.

Now, this goes way beyond business. It is part of the government picture. There are things that you can say about

organization as such that are very important to be said. There are ways of measuring organization as such and its functioning, its products, its input in terms of human resources, its communications systems, that as a science or even as an art are even younger than the accounting profession. You describe it as a young profession. Well, the knowledge of organization, as organization, and how it functions and how you describe it, how you measure it, how you even think about it clearly and coherently, is just dawning on us, just coming into the area where people can begin to describe it intelligently.

Well, I regard this of very great importance to your future, because the techniques may change and change and change, but if you have your eye on these fundamental things of how organizations functions, the kinds of parameters, in terms of how you can describe organization, the kinds of measurements that are possible, you will be the people who will be changing the techniques, not somebody who faces you with them and then you have to adjust to them.

I'm sorry. I got a short question and gave a long answer.

MR. CAREY: This is right to the point.

MR. DAVID L. LINOWES: May I ask a question?

MR. GARDNER: Sure, fire away.

MR. LINOWES: Why do you imply that it would not be desirable for someone to develop the standards and just--I assume this is what you imply--let our profession apply standards for these aspects of work?

MR. GARDNER: I would consider this completely feasible, provided that you are in very good touch with the body of men who are developing the standards. I'd say if you were in sufficiently close touch so that there are at least a portion of that group of individuals who are, let's say, doing the basic research or the basic development work in connection with the understanding of organization--at least a few of them specialized in the applications of that to accounting.

Now, this is a problem in most of the professions. You have the basic sciences, the basic disciplines. You have the profession and you have a gap, and it takes a long time to reach a point that you have reached in medicine and still imperfectly in medicine, where there are bridging areas, where there is a whole class of men who make it their business to go to the wealth of basic research and carry their ideas to the practicing professionals. This takes time and it takes communication, and it takes a profession that cares enough about the fundamental knowledge to encourage that kind of communication. So, I think that what you say is perfectly sound.

but there must be very good intercommunication.

CHAIRMAN TRUEBLOOD: Now, in relation to what we familiarly call the newer quantitative techniques of Cooper and Charnes, from Carnegie and Northwestern respectively, divided this kind of problem in relation to those techniques of methodologists and developments in three pieces; first-- and I believe this is consistent with what you are saying and I am asking largely for clarification--those people who invent or create or develop or what have you. This is, in a sense, directed to basic disciplines, like, I suppose, chemistry in relation to medicine.

Secondly, there is our responsibility as a profession for understanding what is going on and putting our clients in touch with those who may be able to help during some kind of intermediate period of five to ten years, but thirdly and ultimately some professional responsibility for changing our educational process, changing our understanding and knowledge, so that perhaps we never have a responsibility to operate in the truly creative area, but we do have a responsibility to apply, shall we say, mundanely or routinely and always flop back to point two of getting the proper expert in at the proper time. Is this consistent with what you are saying in relation to medicine and hence to organizations?

MR. GARDNER: It is true of every single profession, and I think I might take one more try at describing this bridge by saying that the natural forces in the situation are always trying to bring the bridge down, and this is just absolutely built in. I cannot tell you how many times I have seen this. I see a good many people from the law schools--in the course of my work on my board are a good many practicing lawyers, and there just is an inevitable difference of view on the part of these people, and it takes a real effort to bring them together.

Now, ultimately they are part of the same system, they really are, but their roles are so different that it is very hard to keep them together.

[Discussion off the record.]

MR. GARDNER: The gap is always widening if you are not closing it, and yet in the long run every single profession depends on keeping this whole system nourished. It does get nourished despite anybody's hostility by the fact that the fellows concerned with the basic disciplines are in charge of the coming generation. So, in a way, that's the one thing you can be fairly sure of, that this will come on through eventually, but no profession that really is keenly interested in its future, especially today when innovation is so rapid, is

going to fail to make its own efforts to keep in touch with the seedbeds of its knowledge and its doctrine.

CHAIRMAN TRUEBLOOD: It's sort of a provocative comment. I don't think it is a by-pass though. I have the feeling that in our profession, which historically has been a rather limited discipline, a rather large art but a rather limited discipline, we have a little different trouble in that for the most part the educators, in terms of expanding our responsibility and our role, lag behind many of the leaders of the practicing profession. Norton is an obvious exception to this. Some of the Committee may disagree with me, but it is a matter of great concern to me and it seems so atypical in terms of other professions and other practicing professions.

MR. CAREY: There are many exceptions.

CHAIRMAN TRUEBLOOD: There are many exceptions.

MR. CAREY: I think the numbers of exceptions are increasing, would you agree?

MR. NORTON BEDFORD: Yes, I would, Jack, very much.

MR. CAREY: How could we identify the inventors and innovators in this field of organization communication? This ties in with some of our previous thinking. I think this Institute, as a professional society, might be a bridge builder, in that we have a staff which is neutral and can listen to both

sides and do something to bring them together, and I think maybe we could do a kind of continuous research project, if we could get in touch with the people who are thinking in these nonaccounting, but organizational intercommunicational lines.

We are measurers and communicators up to a point, historically in financial terms mainly, but progressively more and more in other terms, too, and computers are entering our lives in a big way, of course, and if we could identify a group of people who might be interested in cooperating both with our academicians and practitioners in small groups, we might be a channel through which this nourishing and innovation could flow into the practitioners' minds and a lot of them would reject it and say, "This is cloud nine stuff and has no bearing on our work," but a certain number of them, the younger ones, would take it. Is there an organized group of these people?

MR. GARDNER: No. You just have to find them, and I would say take your time and take several years to establish communication with them.

MR. CAREY: Are they at the universities mainly?

MR. GARDNER: Yes, but they are not necessarily even interested in accounting. A number of professions have had the same problem. When I described this system with basic knowledge

and innovation at one end and practice at the other, I didn't mean to imply that the fundamental and innovative end was always housed in a school or the school that leads to the profession. The medical profession at times found itself in a situation where its schools were not providing the best fundamental knowledge. It was being developed, but it wasn't being taught in the medical schools.

This was true in psychiatry, for example. It was true in some of the basic physiological and neurological disciplines that new things were being developed which simply hadn't gotten into the medical curriculum. The schools of education today are in the process of being upgraded by people, many of whom are not in schools of education, but are bringing to them basic knowledge developed from psychology and sociology that is absolutely essential to this seedbed end of their business.

MR. LINOWES: It wasn't clear to me when you were commenting about the importance of gapping the bridge. I got the impression that you would prefer to see, let's say, a profession like ourselves, the same people who are involved in the practice, also be very much concerned and perhaps even personally involved with the basic research and innovations.

MR. GARDNER: No.

MR. LINOWES: Did I misunderstand in that you would prefer there to be a separation and the development of some invention to make the bridge more readily crossed or some dialogue, mechanism, in existence to get thoughts back and forth?

MR. GARDNER: Some dialogue is the phrase that I would use. You haven't any choice in this. This is determined by individual differences in character and temperament, plus early specialization. The fellow who is going to make the great advances in understanding the fundamentals of organization, of human organization, isn't going to have time to run anything. He is not going to be or have a terribly practical cast of mind, certainly not an action cast of mind. Even if he had been originally, he is going to have to put that part of his life aside, because he is going to have to dig and dig and dig to understand this. The man who is going to run the most important accounting firm in 1990 isn't going to have time to do the scholarly work.

So, in effect, it must be a dialogue between the in-between people. In almost all of these fields, there are now people who don't care to be the fundamental researchers or haven't the gift for it, don't care to be the action people, but are special bridgers of this gap. They understand

the research. They enjoy reading those research monographs. They find it intellectually satisfying to get the fundamental picture and to communicate it to more practical people.

CHAIRMAN TRUEBLOOD: But certainly our professional institutions have the responsibility, in your view, of creating the opportunity for both the dialogue and the bridging mechanism. Is this not true?

MR. GARDNER: Absolutely.

MR. LINOWES: Would you consider this to be a primary function of the professional organization, such as the American Institute?

MR. GARDNER: I consider it a primary function of the American Institute and a primary function of the people at the other end of the line, and neither find it a terribly congenial thing over the long run, but it is necessary.

MR. LINOWES: Then, where the educational facilities would concentrate on the research aspect, do I assume that?

MR. GARDNER: Yes.

MR. LINOWES: And the association to be the catalyst?

MR. CAREY: For example, if I might try to make a point, we have pending an idea that Alex Bavolis gave us. You may know him from Stanford. He was one of our early consultants.

He said he doubted whether the accounting data that we were issuing to millions of people was understood, that he doubted whether we were communicating very accurately. So, this gave rise to a suggestion that we ought to have a research project in communication applied to our problem, and I wrote Dr. Bavolis and I don't know whether I told you, but he said he was going to be East this winter in Washington and he'd be glad to come up to New York and discuss it further. He doesn't think that he can handle it from Stanford, but he might be able to suggest somebody who could.

This is practical, is it not? Whoever did this project would probably know who the specialists in this area were and bring them to us and try to interest them in our problem and apply their research in organization and communication to this phase of the process that we deal with. Is that a good project, do you think?

MR. GARDNER: I just would have to look at it and think about it.

MR. CAREY: It is the sort of bridging that you are speaking of, it seems to me.

MR. LINOWES: Jack, excepting that the point I was trying to refine was whether Mr. Gardner's approach, suggestion, would be for us, as a professional association, to

stay clear of research and to encourage the educational institutions to do the research phase of it, and us merely to be the in-between people. Is that the approach?

DR. ROY: Well, I'm awfully glad I came. This is worth putting in the common body study. Then, when you said you had helped put together the System Development Corporation, that we probably would find ourselves talking a reasonable common language. I am immensely intrigued by what you say and would like to probe a little bit to get your opinions about some cognate matters.

Just by way of preliminary clarification, I spent almost twenty years in a printing plant which specialized in medical literature. So, I have some comprehension of what has gone on in this field, and in the not very distant past I had access, as a part of the common body study, to the Flexner report published by the Foundation fifty years ago.

I think that the problems of transition, as they were represented in medicine in 1910, both at the practicing level and at the educational level, and the problems of transition which confront the accounting profession today have some very striking analogies, but I also think some very striking differences, and it is some of these on which I would like to get your opinions.

My feeling is appropos of medical education in 1910, the really grievous charge that Flexner made was concerning the quality of the input, the very low levels of permissible input into the profession, and to some extent I think we are concerned with this, too, but I believe we start in a higher educational base than the medical schools of 1910, but I think that the accounting field faces another problem.

You yourself postulated that organizations and those in association with them were on the threshold of a kind of revolution. I have to agree most heartily with this. I think the powerful tools that are currently being developed that are related to decision processes and organization are going to be almost revolutionary in their impact, and I have the feeling that relative to accounting it is going to require yet another transition besides the bridging of the gap, which you have described.

Are the people who are going into accounting not going to be capable of aptitudes for a different level of abstraction than has been the case in the past? I say this because I have a feeling mathematics and mathematical expression and representation is going to make an enormous impact, and I have had enough observation of colleagues in the field to make me feel that they are not inclined to think in symbols.

In fact, the accountant of whom I am most fond, Sidney Davidson, we used to tease, because when you start to develop a problem he would say, "Suppose this cost \$1,000." He would never say, "Suppose the cost was X." This seems to me to be one of the most formidable problems confronting the broad world of accounting..

I don't know what Charnes and Cooper had to say about this, but if I could speculate it would be that they, too, postulated that this abstract representation of accounting processes was going to be something that will make a big difference, and I suspect that research in this area may tend to be done by people who at the moment are not part of the profession of accounting.. I may be wrong about this. If you could express your feelings about this, I would be most grateful.

MR. GARDNER: That's a tough one. You may be right. I just can't say. I think that the capacity for abstraction and intellectual capacity of the people who make the advances-- and by that I mean not only the researchers, but the pioneers in the practicing profession who, working with research advances, develop new procedures--the level of abstraction there will be very high.

DR. ROY: Yes, I think this, too.

MR. GARDNER: Whether this will continue to be true, I don't know. It is quite possible that these pioneers will leave behind them some rules of thumb sufficiently clear so that other people can follow them.

One of the dramatic things we discovered in the past five or six years has to do with this very question. As you know, the teaching of mathematics has been revolutionized in the past half dozen years, and the Carnegie Corporation was very much involved in this. College mathematics ran away from high school mathematics over the course of fifty years. It developed with great speed and high school mathematics stayed right in the old place and did not reflect these advances at all.

When we began to push the newer and more refined and farout kinds of mathematical developments into the high schools and even into the grade schools, we discovered that a concept which could only have been arrived at by a most gifted and mature individual, a graduate school type with enormous capacity for imagination and abstraction, could be grasped just like that by a third grader, once it was put in the form of a simple generalization. It took great gifts to arrive at it, not very great gifts to use it once the concept was shaken down.

So, I am not suggesting you could use third graders, but I think there will be a little drop back.

DR. ROY: I was trying to emphasize what I believe to be the case, that in the educational institutions, the large body of faculty representation of instruction in the area I don't think is at the moment identified for the most part with the kinds of research that you depicted, and I think the difference is algebra and arithmetic, so to speak.

MR. BEDFORD: May I make a point on this? While I concede among the leaders in the academic field, those who teach, have an orientation that is somewhat pedestrian and I suspect, Roy, that it may be these about whom you are talking and it is difficult for them to be receptive to new ideas, but among the younger men who are coming along I find exactly the opposite. They are the future and they are very receptive, and a number of them also have the capacity to operate at this level.

The result of it that I can see is somewhat along the lines of the bridge that you referred to, and that is for the profession in its structure to so orient itself that it will provide for a means of bringing in these younger men into the organizational structure here and I would say, Dave, contrary to yourself, that the structure of the profession would be of such scope that there would be room for the highly academic

man or highly involved researcher and even again to the pedestrian practitioners, and that we try for the structure of the profession to be one of implementing and tying these all together, so that they can operate effectively.

So, Dean Roy, I submit that our problem here is not one of hopelessness at all, but one of taking initiative and encouraging the younger men to carry out their ideas. They do need a great deal of support, and within a university the departmental structure is set up wherein you are judged by your peers, so to speak, and that means the head of the department, and the head of the department is typically a man who has been there for quite some time.

CHAIRMAN TRUEBLOOD: Is this any different from business or accounting organizations? [Laughter]

MR. BEDFORD: With this built-in situation, the younger man finds pressures to conform and they do to some degree. They are forced upon him and I see little hope of breaking away from this hard crust to which you refer, other than from an outside position of organizing our profession in such a way that there is an opportunity for the men who do have more progressive thoughts to express them.

MR. GARDNER: Is there an association of schools?

MR. BEDFORD: Yes, but they--unfortunately, our

structure, Mr. Gardner, has been that the university professional department has been one of a recruiting device to provide people for the profession, and this has grown to the extent that many heads of accounting departments will support that which is good, which prepares a man immediately to go into practice, and there has been somewhat of a reluctance to encourage basic research. But within the last ten years, there has been an amazing breakthrough in the point of attitude on the part of the younger men.

I believe it is fair to say that in time, there will be people in the accounting department who will make a contribution at the information level to which you refer, and I would submit that Cooper and Matty Smith and Westchurchman, who although isn't an accountant, does provide--nevertheless, I use his textbook in my accounting class. So, there is some opportunity for hope there.

CHAIRMAN TRUEBLOOD: Can I go back and as a specific and short question? In this development in the teaching of mathematics, what was the motivating impulse for the research and the ultimate implementation? Who did what to whom in getting this pushed down to the secondary and the grade schools?

MR. GARDNER: Well, I don't think this will help your problem much, but it will give you a little insight into how a

foundation operates. I got wind about 1954 of the fact that roughly half a dozen of the ablest young mathematics professors around the country were extremely dissatisfied with this gap that had developed, and I talked to a few of them. I became very interested, and I had retained a fellow to cover the country looking at mathematics teaching on a fairly superficial basis to just see if what these fellows were saying was true.

He came back saying that it was more than true, that the situation was in a fairly deteriorated state, not bad in the secondary schools, but in many respects most unfortunate in the elementary schools. To give you one example, the teacher who introduces the youngster to arithmetic is typically a woman, because most elementary teachers are women. If you ask her to list the subjects she likes the least to teach, mathematics heads the list, so that our children are being introduced to math by people who fundamentally dislike it.

Well, now, my view of the sensible way to go about anything of this sort is to find a first class man and back him. So, I cast a net out over the country to see who was doing anything about this, other than talking about it at the faculty club, and I found two or three very imaginative fellows and as fast as we found them we put money on them, and they were going ahead to develop major revisions of the mathematics

curriculum.

Then the fascinating question was: Who is going to listen? Here is a fellow out in Illinois developing a whole new curriculum for mathematics. The College Board's Commission on Mathematics was developing an alternative curriculum. Who is going to pay any attention? Just about that time the Russians shot up Sputnik and all of a sudden the question was answered. [Laughter] These fellows had their phone ringing. They couldn't get their work done because government people wanted to talk to them. The National Science Foundation was spraying a fire hose full of dollars at them. [Laughter] So, we got out of it. We figured the thing was on its way and it has been on its way ever since. As I said, that doesn't answer your question very much.

CHAIRMAN TRUEBLOOD: Going back to the Flexner report, I know it was your money, but was that your idea or did it come from the profession?

MR. GARDNER: This was the idea of Henry Pritchard, who was the President of the Foundation. He startled everyone by getting a classicist to do it.

DR. ROY: Who, in turn, startled everyone.

CHAIRMAN TRUEBLOOD: There was a similar approach to a study of the legal profession in the Thirties.

MR. CAREY: A survey of the legal profession, but it was done mostly by lawyers.

CHAIRMAN TRUEBLOOD: Through the Bar Association?

MR. CAREY: I think they had some foundation support, I believe.

MR. GARDNER: Carnegie.

MR. CAREY: But the result, if I recall, was a five foot book self-individual monographs, one by Dean Pound.

MR. GARDNER: Alfred Z. Reidy I think was the fellow who coordinated it.

MR. CAREY: There was a man up in Boston whose name escapes me.

MR. GARDNER: Henry Smith. That's the more recent study. This is the one you are referring to. It's a restudy.

MR. CAREY: It's about ten years ago.

MR. GARDNER: There are two or three things I'd like to get on the table. One is you have to keep very much in mind the individual differences in interest and concern, and assume that the profession is never going to take an interest in research or in this innovative end of things. It just isn't in the nature of things in any profession. It is going to be a minority. It is going to be a saving remnant within the profession that cares about what the future is going to bring,

cares about research, cares about what is going on in this area, and that's all that is necessary really. If you can provide the ways of enabling people to do what they can do for the profession, the rest of the profession can go its way and practice and follow the lead.

Now, if you identify people within your profession who are interested, they should be cultivated. They should also have some kind of instrumentality, such as a continuing committee on new directions, a committee on fundamental principles of the profession or something that enables them to keep their radar going over this whole area of possible innovations, asking themselves how it is development, whom they should be in touch with, what they should be catching up on. As you have discovered in the last few years, it isn't a one-shot problems. It's something that evolves.

Now, if these people are doing that, then coming back to your question about whether--the reason I really can't answer the question about a specific project is what they do depends upon the energy they have and the amount of money that you can put at their disposal, and let me suggest two or three possibilities.

One is that they simply have enough money to work their radar, so to speak. They don't put anything into the

research. They just let somebody else support the research and try to keep in touch with it. This is not the ideal situation, because it doesn't identify the profession sufficiently with these new fields, and it doesn't give the innovators enough of a sense of caring about what the profession is going through.

It would be much better, if you had a little bit of money, to put it, let's say, into some research fellowships or just make sure that the ten most interesting individuals working on this kind of thing have a bit of research money from the profession for things that they wanted to do, just to remind them that this professions' concerns were worth their time, and the profession cared about what they were doing, because there is a tremendous demand for this kind of person today and if they are not thinking about your concerns, they are going to be thinking about somebody else's concerns at equal profit to themselves, so that the creating of some lines of connection and mutual interest can be done with modest research or fellowship funds spread over the ablest people.

Now, if you have more money, then you can occasionally go into a substantial research project of some kind, and this is useful if you have the money, because it confirms the interest. It teaches this small group in the profession who

care about research something about how to judge research. They just sit back and read the journals. They are never going to be as wise about it as if they get their feet wet occasionally in trying to make some judgments and pick and choose and get something done that will be useful to them.

Now, there is another kind of research that I think must ultimately be of interest to the profession, and I don't know where to put it on the priority list. I tend to put it higher on the list for the professions and that is financing these other kinds of research, and this is research on the profession itself, and I hope that the distinction is clear. You can study the substantive things of interest to the medical profession or you can study the medical profession, and here you can study the basic fields of knowledge or you can say about this profession and some of the questions you raised, you see, might be eliminated.

For example, I couldn't be involved in a thing of that sort without being very deeply concerned with the nature of the human input. It also astounds me that colleges can go along knowing as little as they do about the kinds of people they are bringing in. All they know is that they reach a certain point on a test score. Many colleges are in a situation actually where it doesn't matter. They get a good general cut of

youth and that's that, but I do tell you colleges are suffering very severely and will suffer for years because of the flow of young people, and they are not getting the cut that they should. They are getting the unmotivated cut or they are getting the cut with a cast of mind that will not be good to dominate the score; a college, for example, that characteristically gets the snob in the senior class--I won't identify the college--or the college that gets the bright unmotivated youngster.

So, you look at the test scores and you say, "We are getting as good as anybody else," but you are not. In other words, in doing this book, which is just about to come out, I took quite a hard look at organization generally, and I came away very much more impressed than I ever was before with the factor of human input as an element in any organization. It is just absolutely vital to the future of the organization to know who they are, and then back to research about the profession doing the kind of human resources analysis that we are now trying to do on developing nations and on our own nation.

Given this input which in the nation, of course, is its young people, but in the profession is its recruits, what happens to that flow; how much of it leaks out; how much of it is undeveloped; where do we miss out in making the most of

the resources so that we get at the source? This has produced very striking results in manpower analyses. It was this kind of analysis that led us to the whole dramatization of school dropouts, and the fact we were losing one-third of our top quarter of talent just from youngsters running out of steam, so that research on the profession itself--and this is always going to interest the profession more than it interests the basic researcher.

CHAIRMAN TRUEBLOOD: This point could elaborate itself in many of the things Lazarus Fels said.

MR. LINOWES: With your reference to input, if I recall, several weeks ago I think in the Saturday Review you wrote an article and I got the impression that an important emphasis was on the atmosphere and environment created by the organization to bring out potential. I did not get the impression from that article that it was more important to be concerned with the input than with the environment. Is that still so or you just now stressed the input?

MR. GARDNER: It's both. It is extremely difficult to come back to a specific college, a college that is steadily recruiting youngsters with a country club attitude, let's say, to alter this, because the youngsters hand it on from one to another. They indoctrinate--the second year students

indoctrinate the first year students and so forth, so that in many of these situations you have to start with the source. You have to start trying to get a certain percentage of youngsters with other kinds of attitudes. Again, in the matter of ability, if you are getting too low a cut on the ability of the distribution, there is a limited amount of what you can do with it.

I had the head of personnel from one of the largest corporations say to me not very long ago, "Our problem in staffing our top executive levels with imaginative, forward-looking men is that the individuals who go into our particular corporation at the age of twenty tend not to be the individuals who are going to develop in that direction, and they are the most solid reliable fellows in the world, but they are not the fellows who are going to reach for the top."

MR. LINOWES: I'm impressed. I find it difficult to agree, if I may use that term, that the input is so essential for the reason that it is considered a fact that most of us use a very minute fraction of our capacity.

Now, if that is so, it is just a matter of having an environment that would draw out more capacity from each person, rather than be concerned about putting in tremendous potential capacity, and I had always labored under the impression that

if we could create an organization, as you had pointed out, which would tend to encourage and draw out potential, even of a person of mediocre capacity, but at least let him use 80 per cent instead of 5 per cent, we would have not only a much better person, but a better organization and better profession.

Now, do you feel, however, that input is as strong a factor in trying, shall we say, to upgrade a profession or an organization as the atmosphere and environment? Atmosphere and environment can be created by one man, the man at the top, because he can focus down as to motives and incentives; whereas, input is more difficult to control because you are dealing with masses. Do you feel that they are of equal importance, input as well as environment or is environment substantially more important?

MR. GARDNER: You can't put numbers on it. It just depends on the situation. If we knew as much as I would hope we would know fifty years from now, we might be able to worry less about input. Your input is at what ages?

MR. CAREY: 22, 25.

MR. GARDNER: What an individual is by the time he is 22 is not vastly altered by our modern means of manipulating environment.

Now, it can still be altered. We can still bring a

great deal out, as I pointed out, because emergencies and crises bring a great deal out. We can smother what is there. There are a lot of things we can do, but they are limited, and you have this situation today in which--take a cross cut of this river of youngsters coming on--take twenty. They have vastly differing native abilities, vastly differing native abilities, vastly differing motivational patterns, which by the age of twenty are fairly settled, and you have a range of very, very hungry competitors trying to divert that river into different channels. The scientists today make no bones about it. They are there to skim the creme off that to the extent that they can, in every way they can.

Most of them share your feeling that they can do a lot with those youngsters after they get them, but they want to get the best they can at the beginning. One profession after another has moved in with recruiting techniques. The medical profession, after sitting back fatly for generations skimming the creme without even trying, finally awakened to the fact that it is going to have to do something to get its share of the talent. Even the State Department very recently revised the idea that it had to ~~fight~~ for its share of the talent, so that if you don't fight for your share--and it may not necessarily be anybody else's share. Maybe the kind of

people that you want are not going to put on in violent competition with the scientist, let us say, but unless you fight for your share it is very likely that you will take the leavings, and then you will have to have very considerable gifts for manipulation of the environment to do anything. I think both are important.

MR. LINOWES: On that same point, may I just bring up the point made by Gruenwald with his duPont Company in his Uncommon Man. He came to the very strong observation that duPont, which is a tremendously successful company, is exposed to hiring the same cross section of people as any other company, yet they have by far in a way achieved much more success, in terms of a commercial enterprise, than a great majority of their competitors, and he attributes a lot of that to environment.

Now, would you feel that the environment does not play quite as much a part in this type of organization as apparently Gruenwald suggests?

MR. GARDNER: I'd say two things. First, it is much easier to manage the environment of a company than to manage the environment of a profession. They can do more to manipulate what happens after recruitment than you can.

The second thing I would say is that he may not be

fully aware of the extent to which duPont does not get a cross section. When you trace back to the decisions which determine input, the individual decisions, they are not necessarily managed by an edict of the personnel manager in the recruiting organization. The youngsters who go to Radcliffe don't necessarily make the decision because of something that the dean of admissions said or the president said. There is an atmosphere that Radcliffe is for very, very bright youngsters and it works them very hard, and a selective process then goes on back in the schools that is quite out of the area of vision of the people at Radcliffe. They don't even know they are doing it, but it is happening. A college that is widely known as a hard drinking country club is doing a kind of recruiting no matter what anybody says. It has been influencing a decision.

DuPont has a great reputation that is working for it every minute. Bright kids are saying that it is the place for me, and a lot of less bright kids are saying, "Gee, I don't think I could make the grade on that one." I completely agree with you about environment. I think this is terribly important. All I am saying is that input is important, too.

MR. CAREY: May I ask one point. Is it fairly well established now--I've been a little confused about this--that

there is a limitation to native capacity, that one man if you develop 100 per cent of him can't do some things that others with a 100 per cent higher capacity can do?

MR. GARDNER: It isn't nearly as true.

MR. CAREY: With my study it was considered awfully true, but that was a long time ago.

MR. GARDNER: We are now aware, for example, that you can take reasonably bright youngsters and smother their abilities in the slums, in impoverished families, in neighborhood environments, and end up with a youngster who just hasn't got it. He had it. You just didn't allow it to develop.

On the other hand, you can take a youngster with moderate abilities and lift him substantially, but there are still limits. You can't take an imbecile and turn him into a nuclear physicist.

MR. CAREY: If we put it only subaverage capacities, we could never upgrade the profession.

CHAIRMAN TRUEBLOOD: Jack, you and I got into the record a misleading statement. We said our input came at age 22. The determination of the input comes back at 18 or 20 and this gets to a point that I'd like to pursue a little bit.

Our panel of educators, if I recall, Norton, indicated that there were perhaps three points of decision--

sometime in the latter stages of high school, sometime in the first year or two of college and then at the termination of college. One of our great problems in improving the input is to get our image, if I dare use that horrible word, down to the age level at which these preliminary and ultimate and final decisions are made, which is before they have actually been exposed to the profession or can possibly be exposed to the profession. Now, how do we do this? Is this a professional thing or is this the educator's responsibility?

MR. GARDNER: I really can't answer that.

DR. ROY: I was going to ask a somewhat related question and precede it by expressing an opinion and asking if you could shed any light upon it.

I have already said something about the input that we are now talking about. My belief is not founded on any real knowledge that the kind of imaginative, motivated, capable talent of which we are speaking is attracted by challenge and not sinecure, and that possibly one of the ways that the input could be favorably influenced would be in this way.

You touched upon this with reference to Radcliffe. It is a widely current expression at MIT that Tech is hell, but I think one can assume that it brings them there and doesn't repel them, despite the fact that there is much

accuracy in the statement. Do you have any insights into how the accounting profession might attract a superior input? Research is certainly one of the things that might help in this regard.

MR. GARDNER: Before answering, I'd like to ask you something. On page seventeen of this profile, you are talking about areas of professional services. You talk about management services. What will be the ultimate scope of the management service function, the management audits? How far have you gone in that? Is this going to be something that the profession gets into more and more?

MR. CAREY: It's the fastest growing area of practice.

CHAIRMAN TRUEBLOOD: It is the area in which we are enlarging our scope. I'd kind of like to put on the record something that may kind of influence you in thinking about our problems.

Historically--and I don't know whether this goes back, say, twenty, thirty years--we were identified, let us say, with the audit of financial statements in the strictly or purely accounting sense of the word. Our current feeling and much current literature out of both practice and education is tending to refine that definition, expand the definition of our function to the measurement and communication of economic

data, which enlarges that function into other areas, technologies or methodologies not heretofore regarded as accounting as such.

Well, I don't think it is going to be possible to audit the statements of General Motors in terms of the accounting discipline only as it was conventionally defined five years from now if it be true even now, but this is where the enlargement and the drama of our management services function comes into play, because it is this group of people, the management service practitioners, as distinguished from the accounting theoreticians, who are moving furthest and fastest into these new areas. Do I state that fairly well, Rob, from your observations?

DR. ROY: Yes. Perhaps I can shed some light, if it would make it much more comprehensible to you. There are now attached to many of the larger firms, Bob's and others, personnel who would be colleagues of your System Development people in every sense of the word, and this is a very rapid development, and it carries with it a great deal of the challenge and commitment that was inferred by my last question.

MR. GARDNER: Well, that was why I asked the question. What we are seeing in many of the professions is really a spectrum of professions and subprofessions, and it may be that

we can never really use the word "subprofessions." It has an unfortunate sound to it, but professions supporting specialties. Medical specialties are the best examples, but you can see it in a number of fields.

As a rule, by the way, the professions have tended to neglect their subprofessions and it is an amusing fact that where the ability distribution would lead you to believe that shortages at the professional level would be much more severe than at the subprofessional level. Actually, in almost every country from the least developed to the most advanced, the subprofessionals are in more severe demand. Even the most backward countries was to gain status by training professions, and nobody wants to be a medical technician, nobody wants to be a doctor.

In the engineering profession in this country, we have probably done more than any other country to develop these subprofessions, and yet today in the engineering profession where the most qualified experts say that the ratio of technicians to fully qualified engineers should be two to one, it is actually only point seven to one, so that we have a tremendous job of training young engineering technicians.

Now, I think very likely you may have this situation in your own profession. You have a series of roles, from roles

that are of a very, very high professional nature to roles that are relatively routine, and within the reach of a very wide range of individuals.

Now, almost every profession has a mystique. It has an ideal, a vision, of what the pro is like, and one of the most amusing conversations I ever listened to in my life was between a colonel in the Air Force and a professor. I served on the Scientific Advisory Board of the Air Force for a number of years, and we were sitting around one evening talking about the day's work. This was at some Air Force base. I've forgotten even where. We had been working very hard on one of the problems of the Air Force, and one of the professors said to a colonel who was sitting in the group, "Look, it's late at night and we are all talking frankly. Would you admit that General So and So is a blankity blank blank blank?"

The colonel laughed and said, "Well, sure, he's a blankity blank blank blank, but the thing you've got to understand is that he was one of the hottest pilots in the Air Force. You just can't understand him until you see him fly a plane," and this went on and I didn't think twice about it.

Another hour or so rolled by and this same colonel on quite another subject got around to a character analysis of one of the research men who was working on this team, and he

said, "I don't care how bright he is. He's just an impossible so and so. I wouldn't trust him as a human being, " and it didn't happen to be this professor, but one of the other academic people in the group said, "Well, that's true, but you just have to understand that this fellow is a terrific research mind. He is a very inventive, imaginative, original researcher."

Neither side convinced the other, but each was referring back to the ideal image of the real pro in his field and how he functioned and was willing to forgive a great deal in terms of this image. The image is almost always determined by the top level, and this is why I was asking about this management function. If you get into it, this will in some measure reshape the image and it is that image at the top that will reverberate down through the field.

All the technicians in the medical profession feel that they are just a little bit Dr. Kildare's and if the people down through the layers of the profession feel there are exciting vistas at the top, people involved in major decisions, people involved in the way this society functions which, by the way, seems to be so much in the future of your profession, that in my own mind I have very little doubt about it. I think it will affect your recruiting problem considerably.

MR. BEDFORD: May I ask how far we can go in this?

There are some professors in accounting now who extend this management services function. They do not confine it to business. They just think of it as a measurement or information function in society, and they tend to tie the profession to that function and they consider the growth of the information function the most important. It, in fact, might well dictate the organizational structure that you should have.

Yet, when this is implemented to a degree of an article or along these lines, there is a reaction that comes and in a sense at the lower level of the practitioners, that there is a very negative reaction, and he feels that he is left out completely, and my thought here is can we go too far in establishing this higher level of aspiration? I have not much knowledge on this. Is this a realistic thought?

MR. GARDNER: The history of the thing is that if a function emerges, it will be filled, and if the profession that is on the spot doesn't fill it, a new profession will arise or a neighboring profession will take it over. I would think it most regrettable if you didn't at least try to stake a claim to this field.

CHAIRMAN TRUEBLOOD: So say Bavolis and Solomon.

DR. ROY: I think this has happened in industrial engineering vis-a-vis operations research. The industrial

engineering did not impress the opportunities expressed by these methodologies, and there has been created a schism which has, in effect, left them behind, and I think this could conceivably happen in the accounting profession if we are not on the ball.

MR. CAREY: I think one of our problems that is very much in point is that under the professional qualification of certified public accountant at the moment, we have both the professionals and the technicians, because the standard of qualification up to recently has been reasonably low. It is only maybe a decade that any state has required a college education for admission. This is a legislative process. It's a state law deal and, therefore, it is political, and we have struggled with the idea of how can we break off.

It is very difficult to raise standards politically with the opposition that comes from the people who want to be technicians, but want to be Dr. Kildare's, too. We've tried to develop some scheme of setting up a licensing requirement for the technicians, so they would have a place to go and certain respectabilities, as nurses. I don't know whether there is any such thing in engineering, a licensed technician with status, but we don't get anywhere with it with our people. It is hard going.

Has any other profession solved this problem historically, where at first it was really technicians itself and then it grew, so that its leadership was at a fairly high professional level and then it shook off what you might call the technician elements? Do you know of any parallel?

MR. GARDNER: I can't think of one.

DR. ROY: Could you not say that an analogy exists in medicine in the formation of the specialty groups? The general practitioners--I hesitate to call them technicians, because I don't think this would be consonant with usage, but a man goes beyond the internship and perhaps a year of residency and engages in a seven year program leading to qualifications in research and what not, and whether the term, Fellow of the American Academy of Orthopedics means the kind of thing you are talking about or not, I don't know.

MR. CAREY: You haven't run across our effort to establish an Academy of Professional Accountning.

DR. ROY: No, I had not. It's been in my own mind, I'll tell you that. I have thought about the problem.

MR. GARDNER: Jack, one of the rules in Self-Renewal is risk failure.

MR. CAREY: We do that. Thanks for that encouragement. We will keep on. [Laughter]

DR. ROY: It gave me a great deal of comfort a little bit ago, having nothing to do with this study, but about a decade ago I was a horribly frustrated man and I tried to make some changes in engineering and getting fired back at from alumni, and I lamented about this to Lola Reed, who had been vice president for medical affairs and was then president of the university and he said, "For God's sake, don't let the profession worry you. If you listened to the consensus on professional opinion, educational institutions would never change." You said almost exactly this.

MR. BEDFORD: May I follow through on a point that I started? If this information function becomes the essence of the accounting profession in society, then am I correct in assuming that this is going to imply that the accountant has an obligation to society? If this is so, would the profession then start thinking in terms of its obligation to society as opposed to its individual self-interest of people who work in it?

I think we, as a profession, face a big task, for the bulk of the membership of the accounting profession is now highly individually motivated. There is a limited interest. There is a general interest in society, but there is not the dedication to the development of society that we

might have to further the development of society in general, and my question relates to, first, the validity of my assumption that a profession must orient itself to the community or the society in which it lives to be really recognized as a great profession, and secondly if this is so, how does one go about reorienting a group to get them to think like this? Anything you can say I'd appreciate.

MR. GARDNER: Well, it is certainly true that at the heart of all the great professions is a commitment to a conception of the public good as it may be served by this profession. This is really fundamental, but it is not a simple concern for the public good. The qualifying phrase, "In so far as that public good may be served by the profession," is a very important phrase.

The doctor feels that he is serving humanity, but the great doctor cares tremendously about his craft, about the highest exercise of his gifts and his knowledge and his skills. The noblest lawyers have cared tremendously about the law. Of course, they care about society and how the law integrally serves society, but the underscored words in the sentence are the way in which this great profession may contribute with its skills and so forth, so that you have to create what you are talking about, but you have to link it to

a conception of how this profession well practiced may contribute, and I think that this--I met a good many accountants who have that very strongly in their bones, not that they are serving society in the sense of giving to the USO or volunteering for military service, but that society has been strengthened by a good man performing a socially important function with high skills. I think you can sell this.

MR. BEDFORD: That's my hope, too. Unfortunately, a number of our undergraduate accounting students want to know how much money they can make.

MR. CAREY: That's not too unfortunately really. I think that there is an enlightened self-interest isn't there that enters into all our conceptions of social service and doing good? We want prestige and we want a decent living in the course of rendering these services, so that that doesn't trouble me too much.

If you can get into the mind of the man who wants to make the money that it is in his enlightened self-interest to serve society, these things come in. Some of the richest people I have known in the accounting profession--I mean those that made the greatest money--didn't seem to care much about it. They were interested in their job and the exercise of their skill, but they got well rewarded.

MR. GARDNER: I think that pride in the craft is terribly important here. I have watched a lot of youngsters go into medical school and a lot of youngsters going to law school. I have one of my own in law school at the moment, and I think there is a very close linking between this decision and sense of service on the one hand and pride in this craft that you are being introduced to on the other, a sense that it is a calling worthy of your best efforts. This is not simply a matter of social ideals, but the concern that any good man has about a complex skill, the pride in mastering something that you can do well.

MR. BEDFORD: Some of the sociology that I have been reading suggests that we might develop or accomplish this pride in our profession by means of awards and honors and recognitions well beyond any monetary means. Is there anything to this?

Let me rephrase this. We tried to establish an Academy of Fellows, a higher body of knowledge, a higher accreditation, and this was another one of these failures, but is this essential and in what way does it help to develop this pride in the profession? Are these nonmonetary incentives worth while? What form should they take?

MR. GARDNER: I think you have to keep trying.

MR. BEDFORD: Just trying.

MR. GARDNER: I think that it is worth while. You may have to try a number of different ways before you hit the way to do it, but whatever you can do to symbolize achievement, whatever you can do to hold up before the profession as a whole, particularly the younger members of the profession and the students, images of what it is that they might work toward, is very much to your advantage.

This has gone on and gone on and more and more necessary in this cluttered world. There are so many images floating around and so many youngsters are baffled by the very complexity of social roles and things that people do, and it seems to me you owe it to the profession to put before youngsters some conceptions of what achievement amounts to, and this is really what you are talking about.

MR. CAREY: Symbolic recognition in the sense of medals, honors.

MR. GARDNER: The award that you give the individual rarely does him much good. He's over the hill. He has his momentum, but it does the youngster striving some good. It gives them a feeling that there are places of achievement here that I can move towards.

MR. BEDFORD: This is very helpful. I'm interested

in Illinois in establishing an award for accounting and I have been criticized for it, running into a lot of administrative problems, and I wanted to be sure of my grounds. I thank you.

MR. GARDNER: Well, I agree with you.

CHAIRMAN TRUEBLOOD: Picking up several pieces of what you have said and the problems that we have laid on the table, it seems to me we have something to work at on both ends of the scale here, that in a sense the CPA being statutory and undesirable ~~politically~~, that we have sort of pulled everything down to the middle. We haven't been able to spin off our technician group who do nothing but write up on bookkeeping. We haven't been able to spin off our real thinkers. We are just all CPA's, and we do 99 different things.

So, Jack, just as a matter of verification, I gather that Mr. Gardner would basically agree with our efforts in establishing the technician class and establishing the Academy or what have you.

MR. GARDNER: I think the most important thing is to be conscious at all times of the need to develop these various levels of the profession. Whether you can tidy it up is another question. You may be fated to have a very untidy

profession for many decades to come, and that need not worry you as long as you are not neglecting parts of this spectrum.

If the fact that the management functions and that level of the profession is too difficult to integrate leads you to neglect it, then you are really in trouble, or if the technician level is such an embarrassment that you neglect that you are in trouble. If you are paying attention, concerning yourself, trying to do what you can for each of these levels, the fact that they make an awkward assembly is not the worst fate.

I happened to come out of the profession of psychology, which has gone through the maximum strains on just this point. Twenty five years ago it was a very tight little profession of extremely well-trained people, almost all of them teaching in universities, most of them trained in laboratories to do experimental work; despite the popular image, very few of them capable of solving anyone's personal problems, but immensely interested in how the human organism functioned.

I would say the membership was perhaps 2,500 a quarter of a century ago. It is now, let's say, 12,000. It is cluttered with clinical psychologists, public opinion specialists, people who consult with mass media, advertising psychologists, everything under the sun. This has produced tremendous strains,

tremendous rifts within the profession.

From the beginning I have had the view that regardless of how awkward it is, regardless of what a strain, it is better that the whole thing remain one common system and that the people who are out consulting with your nervous aunt be in touch with the people in the laboratories who are working on rats and discovering things about the human cortex that will influence the next generations consulting with your nervous aunt. In other words, you may have to live with some strains within the profession, but it isn't the worst fate.

MR. CAREY: Is there identification within your profession of these types of groups?

MR. GARDNER: Yes. There is the American Psychological Association which is an extremely healthy, strong, prosperous association, that enrolls the overwhelming bulk of the active psychologists. It has something like fourteen divisions.

MR. CAREY: Sections. This is another dramatic failure. [Laughter] We get kicked in the teeth with every new idea.

DR. ROY: About that many successes in the field, too.

MR. GARDNER: Just about that many publications, and

they go their way and yet they are influenced by the fact that they stick together.

MR. CAREY: There hasn't been a divided individualistic influence within the Psychological Association as a whole then. They haven't tended to fragment the whole groups, the sections, the divisions.

MR. GARDNER: To a degree they have been a source of difficulty.

MR. CAREY: They have created these strains that you mentioned?

MR. GARDNER I think that in the beginning perhaps the fact a Division of Experimental Psychology was created enabled the discontented experimentalist to find a focus and a form for their discontent and be a little more active than they have been before. So, in that sense, it might have set us back a little, but in the long run it proved a good thing.

MR. CAREY: It might be healthy. We have groups that are discontented, but they have no forum in which to voice it, so it is under the rug.

CHAIRMAN TRUEBLOOD: Unless you get it in the Long Range Committee.

MR. LINOWES: This is a good point to ask a question which I had in mind, along the general method of operation. We

in this country are dedicated to democratic principles. In dealing with a mass such as our profession and at least the members of the profession in this room feel that we are exploring and innovating and probing and we come up with a program, as was explained, this section concept or other concepts, and it strikes the, shall I say, innergroup, for want of another term, that this certainly is the best thing for the profession. Our mechanics are such, because of our democratic system, that if the masses don't want it, they won't get it, and generally speaking they don't want these changes.

Now, my question is this: Is it preferable that a profession such as ours be set up so that we need not follow democratic lines or is the concept of the democracy in the furthering of the profession still essential?

MR. GARDNER: Would you say that again?

MR. LINOWES: Should we try to develop the mechanics to make a more or less dictatorship, to apply a dictatorship concept to advancing the profession, to our profession, because we find, on the basis of practice, that putting these things to a vote, which we must do in order to bring any of these new concepts into fruition, always meet with failures?

MR. GARDNER: Well, I don't know enough about the structure of your field. I would say that the way most healthy, democratic organisms work is that they respect democratic principles to the point that anything which is genuinely and deeply repugnant to the mass of the organization would not and could not be put through and if it were put through, couldn't stick.

Short of that, every healthy, democratic organization that I know about is pushed around by a group of vigorous individuals with a deeper sense of the common purpose, a farther vision of where you are going, more energy, more willingness to draw on their time and their nervous system to get done what needs to be done.

Now, it may be that if you are repeatedly blocked by the mass of the profession, it may need to be that you need some other instrumentalities, such as a council, democratically elected, groups of representatives, who can then be the kinds of individuals who take the time off to think about these things, the time off to see where short run gains have to be sacrificed for long run gains.

MR. CAREY: I'm not really as discouraged as Dave sounds. I think this risk of failure that you mentioned earlier is just a normal operating hazard in a large group of people.

We have grown very rapidly. We now have over 48,000 members. At the close of World War II, we had 10,000. We naturally are going to have organizational problems. We can't help it, and we can't expect to conceive in a small room a whole new structural idea and submit it to this governing body as this sort of House of Delegates. We call it a council of 200 people generally nominated in their own localities to come up to the national body and expect them to understand it and accept it immediately.

I think people resist things they don't understand too well. I think that about the third time we bring this up they will take it, because it will be a digestive process, an educational process.

CHAIRMAN TRUEBLOOD: That doesn't disturb me very much. We have 100 partners in this country and we have the same trouble every week. [Laughter]

MR. CAREY: Hasn't it been the experience of other similar groups, including your own Psychological Association, that you have to try several times?

MR. GARDNER: Absolutely. It is healthy that you can't win every time. I find this in my own organization. I am, by nature, pushing them all the time. If I genuinely don't sell the idea, I just don't worry about it. You'd be amused to

know that one of the ideas I haven't sold in ten solid years is the idea of a national set of Carnegie prizes in education.

DR. ROY: I once heard Abel Wolmann, who was a sanitary engineer, talking about the process of implementing a public work from concept to execution, and he went through one of his experiences as a very young man and having the bright idea that an area in Northeast Maryland needed a water supply. He traced through this experience in a most engaging way. At the conclusion, the students asked him what was his estimate of the maximum implementation?

He said he couldn't say, but that he has just received, as an act of celebration from a colleague when he was a student and surveyed the Cumberland River for a construction of a dam, and this one time associate had sent him a bottle of the first water that had gone over the dam and this had been 35 years. [Laughter] He then said he thought this was the way it should be, that his observation of dictatorial behavior was--they usually turned out not to be soundly conceived or well executed. He would rather put up with this frustration than to be able to command like a czar.

MR. GARDNER: This suggests, too, that you had better devise some means of getting before the membership as many of the long ran perspectives as possible and get this into the

stream of thinking and fermenting.

MR. JAMES MacNEILL: The distribution of your book has done a great deal in your direction.

MR. CAREY: This first pamphlet.

CHAIRMAN TRUEBLOOD: The monograph.

MR. CAREY: I'm interested to hear you say that, Jim, because we put out 15,000 copies of this. We gave it to our members free. I think you saw it, the blue monograph. I think I got six letters, twelve maybe.

MR. GARDNER: Do you have a professional journal?

MR. CAREY: Yes.

MR. GARDNER: Does that carry such things?

MR. CAREY: Some of them.

CHAIRMAN TRUEBLOOD: Actually, most of the individual chapters in that book had been published in here in one way or another.

MR. CAREY: That has a circulation of 100,000.

DR. ROY: The new journal is just about to be launched.

MR. CAREY: We are launching a management services journal.

MR. GARDNER: Does the Institute publish this?

CHAIRMAN TRUEBLOOD: Yes.

MR. GARDNER: Well, this is a very important means of communication. We have looked into the channels of communication for new developments, and we have concluded that there just isn't anything quite like the professional journal. The number of publications a man receives has nothing to do with it. He may not read them all and what he reads he may not believe.

Individuals not only must in order to survive be immensely selective in what they accept from the flood of stuff that hits them today, but they must be very cautious in delegating their judgment and people do delegate their judgment. There are some sources that they say, "Well, I'll trust that could be reasonably useful information, because it comes to me from this source," and there are items in the professional journals which the man just wouldn't believe if he saw it in Playboy magazine. I don't know why. [Laughter]

There isn't the slightest question that the professional journal not only gets more attention, but there is a little tag on that information as it goes in. This is information of interest to me, and perhaps I'd better file it in a corner of my mind.

CHAIRMAN TRUEBLOOD: I'd like to put one area of inquiry on the table which Cliff told me he was very anxious to

discuss with you. I don't know whether you would feel that you'd care to comment on it or not.

We have basically three specialties within our practicing profession--taxes, accounting and auditing and management services. We have a rather formalized structure by the groupings for doing what we call research. I think you would be more apt to call it clarification or investigation perhaps, but be that as it may, there is a large, an important interdependence between some of these things, particularly between accounting and auditing and management services, because management services examines the underlying system. Our audience opinions rest upon the adequacy of the underlying system.

Cliff is concerned that we have not found a device by which to interrelate these investigations or codifications or put our findings together. That is, the auditing group over on one side is interested in techniques and methodologies of auditing not to the exclusion, but with inadequate reference to the investigation and development of systematic procedures for the accumulation of data and so on.

MR. CAREY: Internal.

CHAIRMAN TRUEBLOOD: I think his question would run about this way. Each of these areas is so large as to require

many pieces of individual investigation. How do you find the way to tie them together where they should be tied together, the findings or the thinking in the process?

MR. GARDNER: Well, I think this is where you need fundamental research. The closer you get to the practicing profession the harder it will be to do this. The practicing profession must live with certain categories unless and until he has other equally tested categories that he can move to.

If you move out or away from this to fundamental research that is striking at a deeper level, not so caught in the exigencies of professional functioning, then these things come together whether you like it or not, and with that kind of bringing together going along, if it flourishes, if it is useful, if it is stimulating, then the practicing professional can relate himself to it. He can read about it. He can understand it. It is awfully hard to ask him to take the initial moves to bring it about. It is much more likely to be brought about by someone who has stepped back a few steps and is thinking about the fundamentals of this business.

MR. CAREY: This leads to the question of who should do research? We are about the only organization in this profession, the national, that has had any resources to speak of over the years. We didn't have very many until this great

growth after the War came. The state societies and the universities, the faculties in accounting, generally don't have any. So, we sort of naturally started our so-called research in these different areas right here in this office, and I am beginning to wonder now whether this is either economical or desirable, whether we are using our limited moneys wisely.

We have a Committee on Auditing and a staff and they go about investigating things and coming up with reports. I wonder whether we could use a research organization, a non-accounting research organization, such as the Stanford Research Institute, to do a fundamental investigation, if we could squeeze out some funds and give it to them, or should the universities be doing it with our financial aid? That's what the Ohio State man said after our consultation, only he said they weren't equipped to do it. They should have done it, but here we are doing it. Do other professional societies of practitioners like ourselves really do the research job?

MR. GARDNER: Not very well.

DR. ROY: Are there any other professional societies which actually sponsor research or engage in it themselves?

MR. GARDNER: Oh, yes, but mostly research on the profession.

DR. ROY: Well, excepting that. I don't think that is what Jack is talking about.

MR. CAREY: I mean technical, substantive.

MR. GARDNER: Not to speak of.

DR. ROY: I can't name any.

MR. GARDNER: The American Bar Association is getting into some things.

MR. CAREY: They have a foundation.

MR. GARDNER: That's the instrumentality they are using.

MR. CAREY: They have an American Law Institute which does some research.

MR. LINOWES: The American Management Association just setup a foundation for some basic research.

DR. ROY: Are there any professional organizations that employ their funds with the sponsorship of research projects? I don't know of any of these either. Do they give grants for research projects?

MR. GARDNER: Not as a rule, no. Now, it isn't a thing that---

DR. ROY: I was going to open an area relative to this sometime ago, and we got off on another topic. You had spoken of the need for fundamental research, and you answered

Bob's question emphasizing its need. It seems to me that you can make a very strong case in the broad area, especially with the injection of the management services concept, for almost boundless opportunity for clinical research. If the accounting firms are to get into this looking at their clients' affairs in the same way as the physician looks at the whole patient and not just does he have a cold in the head, the opportunities for research of this kind, I think, are really enormous, and there must be some serious roadblocks to reporting it in literature though.

I don't know my way in this in the same way that medicine has prospered for a vast clinical effort, and it would seem to me that could be done in this field, too. In speaking of starting the management services journal, the Journal of Accounting research has just started also, volume one, number one.

MR. CAREY: This thing I went out to get just to show is the kind of thing that we have sponsored and is supported by our members' contributions. Normally we had membership dues. For this particular project--this is the sixth of the research studies in the stream--we got contributions from firms and individual members which will support the thing for another three years. I don't know where we go from there. We had a

finance meeting yesterday to discuss the subject partly of where we go from here.

CHAIRMAN TRUEBLOOD: I'd like to explore your observation, Rob, and Mr. Gardner's reaction to indicate that, say, for research on the profession, other professional organizations do not sponsor or direct in the financial or philosophical sense research efforts, sponsored directly or even started. Then, where does the impulse come from, from the basic type people generally in the academic institutions?

DR. ROY: For the most part and in a variety of research laboratories and industry and government, but I can't think of any of the engineering societies that sponsor research in the disciplines. The American Institute of Electrical Engineers before they merged with the Institute of Radio Engineers hired a firm, the name of which I can't remember, to study the attributes of their profession, but they don't sponsor research in communication or power or anything else.

CHAIRMAN TRUEBLOOD: This, in effect, means that the individual researcher or groups of researchers find their funds wherever they can find them.

DR. ROY: Yes, and report in the literature which is that of the organization. It would be as though educational

institutions engaged in the research that is reported there and it was published by AICPA either in periodical literature or in monograph form.

MR. BEDFORD: You know, this brings up the nature of basic research in accounting, and I am tending to go toward the view that basic research in accounting is more research to related areas, such as the area of measurement, the area of psychology, the area of sociology, with an accountant doing it maybe to draw it into accounting..

MR. GARDNER: This is sound. There is no basic discipline for medicine. It's a range of fields, and I'd like to know how closely you keep in touch with the deans of business schools.

CHAIRMAN TRUEBLOOD: As an organization or as individual practicing members?

MR. GARDNER: As an organization.

MR. CAREY: Well, com si, com sa. I mean, I have been around here a long time and I know personally a dozen or twenty. I'm on the Advisory Council at the Columbia Graduate School of Business, so I know Cortney Brown quite well. But institutionally we don't have any organized relationship.

MR. GARDNER: Is most accounting taught in departments of accounting?

MR. CAREY: In schools of business, undergraduate and graduate.

CHAIRMAN TRUEBLOOD: Now, in all honesty, I think you would have to say that the large bulk of the actual input in the present presently comes from the undergraduate.

MR. CAREY: That's correct.

MR. GARDNER: I would think that an effort to cultivate that relationship would be very useful.

MR. CAREY: Our academic friends in Chicago advised that very strongly.

MR. BEDFORD: There was another position that came up, Mr. Gardner, and that was the accountant is a specialist, and it was also suggested that it might be appropriate for us to have a separate school of measurement, to divorce accounting instructively from the business environment, to develop this full measurement school and this, of course, suggests a bed of knowledge that is common to an accountant, as distinct from that which is common to the businessman .

I think right now some universities, while it may have crystallized or articulated their thinking on it, go one way and some go the other. From my point of view, I can see the measurement function becoming so important to many aspects of society that we need to cultivate all contacts with society

and all areas of problems. So, I will confess that I have never particularly encouraged the cooperation with the deans of the business school, except to the extent that that is a main area of practice of accounting, but it is only one phase of it. Would you submit that I am completely wrong, partly wrong or what?

MR. GARDNER: I think you are partly wrong. I completely agree with your larger conception of this. I think that the deeper you go into this the farther out you reach. The underground pools are much broader than the sounding that you make.

I would be very hard put to decide between pulling, if a university came up to this point, out the measurement function and putting them together, and I would certainly have divided loyalties. I would say that for a long time to come most universities are going to house the accounting where it is now that you have it in a good many instances, vital individuals who are potentialists, because they must go in the direction that you are going.

What you are talking about and thinking about in this profession is just extremely relevant to the business deal. If he has any sense he knows that every profession that wants to make anything of itself is relating itself to its

fundamental disciplines and putting an intellectual base under its functioning, getting away from bookkeeping conceptions of the profession to more fundamental conceptions and conceptions that renew them and evolve.

He looks around in his range of fields and he doesn't find very much that has that potentiality for that kind of depth. He finds a lot of cookbook stuff. He finds a lot of stuff that will never be anything else, because it doesn't have any roots down deep, so that if he can see that accountancy is one of those that has a real outreach and a real future and a real capacity to evolve into something that has very broad implications, he is bound to put some chips on that square.

I have talked with a good many business deans about this, and I feel that the best of them are facing up to it, but they don't know what to do. They don't know exactly where to go. They don't know whether to tie themselves with the engineering schools, tie themselves with the school of public administration and so forth. Well, here is something that is right within their borders, that is teaming with life and growth possibility.

I would think that if you put it to them right, you'd have very strong allies who are plugged into a system that can

nourish you, because they have sources of funds. Universities have tremendous vitality, tremendous capacity to get what they want. University people may not always feel that, but that's true. [Laughter]

CHAIRMAN TRUEBLOOD: Well, it is our custom to go informal during the lunch hour. I understand, Mr. Gardner, you can be with us. Let's go over then.

[The meeting adjourned at twelve o'clock.]
