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1993 ACCOUNTING HALL OF FAME INDUCTION: RICHARD T. BAKER

INTRODUCTION

by

Ray J. Groves

Chairman, Ernst & Young

Richard T. Baker is best described as a great leader in everything he has done: athletics, business, civic and charitable, education, and professional.

Dick Baker's leadership is exemplified by his unique ability to urge his colleagues to perform to their highest potential. Characteristic of a good leader, he achieved by providing others the opportunity and encouragement to achieve, and then by giving them the recognition for their accomplishments.

Progressing rapidly in the profession during a period when there were major distinctions between partners and staff, Dick continually strived to reduce these barriers. He was very successful in developing a collegial environment in Ernst & Ernst, where every person was treated with respect for their respective individual abilities regardless of their position. The result was the improved realization of everyone's talents.

Long a strong proponent of education, Dick led his firm to design, construct, and staff an education center for the professional education of its people, as well as for others in the academic and business community. He also encouraged continuing education throughout a person's professional career, realizing that rapid changes in the business environment required that each professional's skills be continually updated and enhanced.

Dick Baker always encouraged the profession to address and resolve its challenges and problems through its own efforts rather than by looking to the government. He believes that the private sector is capable of making even greater contributions to our economy and our well being through utilizing and organizing the many capabilities of its private citizens. Throughout his

career, Dick freely gave his personal time and resources to many civic, business, and educational leadership positions.

In summary, Dick is a man who has challenged himself and others to achieve their personal best, while always being fair to and respectful of every person. It is a personal privilege and pleasure to know him and to have worked with him.

INDUCTION CITATION

by

Thomas J. Burns

Deloitte and Touche Professor

The Ohio State University

Always a leader, his lifetime, like Gaul, can be divided into three parts, each one crowned with distinction and widespread recognition. In the first phase, he achieved the ambition of every American schoolboy to become a national champion athlete. In his maturity, he rose through the ranks of his public accounting firm to become its managing partner and worldwide leader for over a dozen years during a period of increased awareness of an accounting information, great professional growth, and major social change. In the third phase, for a fifteen year period, he served on the boards of directors of seven Fortune 500 companies (none of which were clients of Ernst & Ernst). In 1986, he was selected by the National Association of Corporate Directors as the Outstanding Director of the Year. On all seven companies, he was chairman of their increasingly powerful audit committees. Now retired from all boards except one, he plays golf, fishes, and hunts a little and has time to enjoy the accomplishments of others including those of his four college degreed children and playwright son.

He also keeps close tabs on the pronouncements of the Financial Accounting Standards Board. Born during World War I in Anderson, Indiana, he was educated in a one-room school house through the sixth grade. He was the youngest of three sons of a father who worked for General Motors-Delco Remy Division for 35 years at a managerial level. In Anderson High School, Dick achieved the dream of every Indiana youth. In his senior year, he starred on the basketball team which won the state championship and was named on the all-state team. He came to Ohio State with only a waiver of the out-of-state tuition to play basketball and to major in accounting. He worked part-time as an assistant trainer to support himself for four years. His many honors included being elected president of his fraternity, president of an all-university honorary and president of his senior class. He was on the basketball team from his sophomore year on. In his senior year, he led the team to the Big Ten Championship and received All-American honors. The team was defeated in the final game of the

first National College Championship in 1939.

After graduation, the only one of his family to do so, he married Marty, the Ohio State senior prom queen, who continues as his wife over 50 years later. In 1939, the country was still recovering from the Great Depression, jobs in public accounting were difficult to get and notwithstanding his academic record, he went with Goodyear. Six months later, he was hired temporarily with the firm A. C. Ernst had started in Cleveland in 1903. After the busy season, the firm let go many of the temporary hires, but not, of course, Dick Baker. He rose through the ranks, still as a temporary hire, until he became managing partner, a post he held for 13 years. He refined A.C.'s concepts with emphasizing client services by having the most offices of a firm, always offering management services, and by stressing interaction of its members with its clients, the business community, and beyond. During four wars and thirty-seven years with the firm, he switched the firm's role from avoiding involvement in national and global accounting policy to one of being the most effective and respected participants in these matters. He faced an ever increasing demand for reliable and comprehensive financial information. This rising demand brought about increasingly active capital markets and the expansion of American business. Accounting became front page news as society pressed through courts and Congress for more publicly available accounting. He led his firm to become a leading participant in meeting these challenges and in vindicating the accounting profession as a vital and effective private-sector financial information function. The firm's direct involvement was supported by extensive and widely disseminated publications. Examples of programs, once unique, were the faculty assistance program for minority colleges, a leave of absence — salary continuation, annual academic seminars, schools of accounting, and accounting accreditation. His leadership demonstrated an understanding of social issues and the needs of education. For decades he has shown extraordinary leadership in the voluntary sector now called United Way. He has long been active in Blue Coats, Inc., an organization which gives assistance to families of police and firemen killed in the line of duty. He helped arrange the Metropolitan Opera cross country tours. He served on the founding Ohio Board of Regents which formulated a master plan for higher education in Ohio. Without parallel, for his dedication as an alumnus, he has been

awarded two honorary doctorates and was named as the National Public Accountant of the Year.

Without peer for achieving equilibrium of the firm's professional integrity, professional innovation and entrepreneurial competitiveness, he is the 53rd Accounting Hall of Fame Member,

RICHARD THOMAS BAKER.

RESPONSE

by

Richard T. Baker
Chairman Emeritus
Ernst and Whinney

Many thanks, for those very nice comments about me. I am reminded of the time that Ohio State invited our 1939 Big Ten champion basketball team back to celebrate our fiftieth year reunion. It was fun to be back with my former teammates to reminisce about old times and before the weekend was over we weren't even missing any of our warm-up shots. Nothing was said about our losing the final game to Oregon State in the very first NCAA tournament. Thankfully, our memories over time have a tendency to treat us kindly and I must tell you they have pulled out all the stops today on my behalf.

For a guy who is going to be 76 years old in less than a month, and is a loyal graduate of Ohio State University, this recognition is truly an unexpected honor. I am also indebted to all of you for coming here before breakfast, to help me celebrate this recognition.

When I retired from Ernst & Ernst sixteen years ago, I received a binder of over sixty letters from college professors who were very close personal friends of mine. This binder had been prepared by Don Edwards. I miss those associations that had been so beneficial to me during the years that I was with E&E.

As mentioned, after my retirement from E&E, I began a second career by going on the Boards of Directors of some outstanding companies, including General Electric, Hershey Foods, Anheuser-Busch, International Paper, Textron, and Louisiana Land & Exploration. It has been a wonderful way of extending my usefulness to the business community and has given me an excellent opportunity to see the other side of the fence as far as business is concerned. Last, but not least, it has paid very well.

I think that is enough about my career and now I would like to devote the remainder of my time discussing your careers and the possible ways that you might enhance them somewhat in the same way that I did mine. Let me first give you my view as to the way things are now and why it offers you new opportunities to continue doing what you now are doing and supple-

menting it by going on some boards of directors of public companies.

This may not appeal to all of you, but it certainly should appeal to some of you. I am not sure how many of you are now serving on boards of public companies, but I am confident that you all have the basic training and talent to make outstanding board members.

Here are some of the reasons that this opportunity is more available to you than ever before. There are many changes in the way our business community is being challenged including the basic concept of the governance of our publicly-owned corporations. Here is just a brief outline of some the significant changes:

1. The Board of Directors is no longer comprised primarily of CEOs of other public companies with basic overlaps being the norm, rather than the exception.

2. In a large majority of cases, the CEO is restricted from being on more than one or two other public companies.

3. No longer are the lawyers, bankers and suppliers who work with the corporation automatically considered prime candidates for the board.

4. Institutional investors are challenging the relationships of the CEO and the board members.

5. A few years ago, the certified public accountants added this sentence to their reports on financial statements: Quote "The management of the company is responsible for their financial statements."

6. Corporations are being forced to make a decided effort to get a broad-gauged board which can deal with the many new complicated problems, such as the vast government regulations, the increasing number of lawsuits, international operations, and the ongoing accounting changes prescribed by the Financial Accounting Standards Board.

If I could digress for just a minute — Dennis Beresford, Chairman of the FASB, is with us this morning. Denny, for many years, was a partner with E&E and is now in his second term and is doing an outstanding job as Chairman. It's not easy being a member of that board. Imagine the difficulty of explaining the current issue — accounting for stock-based compensation — the exposure draft consists of exactly 100 pages of explanation of why and how this issue is to be handled.

(Dennis Beresford, FASB Chairman), many of us remember

that General Eisenhower took the better part of one page to outline the successful battle plan for World War II!

I have outlined six major reasons why the public companies are widening the field for directors and why professors of accounting should qualify for consideration. With the new responsibilities placed on management for the financial statements and the increasing complication of the accounting rules, management needs someone on the board that understands accounting in detail and can help protect the company by serving on the audit committee.

The best sources of this talent are those that have spent their careers in accounting and foremost would be retired public accountants and teachers of accounting. You people qualify for this and the big question is how do you go about getting invited. This is complicated, but it can be done.

First, please understand, you must initiate a program of getting acquainted with the management of the company. Second, you must demonstrate that you can be helpful!

A classic example could be the contemplated change in the handling of accounting for stock-based compensation. Many companies are not pleased with the proposed change and would be delighted to have your input on it — especially if you really agree with them.

Each of you should work out a program that you are comfortable with.

I am going to close by telling you of an incident that occurred shortly after I became the managing partner of E&E. A long time friend who had become president of a large company called me and said that they were unhappy with their auditors and that they were going to make a change. I obviously was pleased and asked what do you want me to do? He replied “nothing, you make your friends before you need them.”

I hope you will take this suggestion seriously. I will be watching for your names on the proxy statements.

Thank you very much.

THE ACCOUNTING HALL OF FAME MEMBERSHIP

<i>Year</i>	<i>Member</i>
1950	George Oliver May* Robert Hiester Montgomery* William Andrew Paton*
1951	Arthur Lowes Dickinson* Henry Rand Hatfield*
1952	Elijah Watt Sells* Victor Hermann Stempf*
1953	Arthur Edward Andersen* Thomas Coleman Andrews* Charles Ezra Sprague* Joseph Edmund Sterett*
1954	Carman George Blough* Samuel John Broad* Thomas Henry Sanders* Hiram Thompson Scovill*
1955	Percival Flack Brundage*
1956	Ananias Charles Littleton*
1957	Roy Bernard Kester* Hermann Clinton Miller*
1958	Harry Anson Finney* Arthur Bevins Foye* Donald Putman Perry*
1959	Marquis George Eaton*
1960	Maurice Hubert Stans*
1961	Eric Louis Kohler*
1963	Andrew Barr Lloyd Morey*
1964	Paul Franklin Grady* Perry Empey Mason*
1965	James Loring Peirce
1968	George Davis Bailey* John Lansing Carey* William Welling Werntz*
1974	Robert Martin Trueblood*
1975	Leonard Paul Spacek

* Deceased

(continued on page 222)

THE ACCOUNTING HALL OF FAME MEMBERSHIP

(Continued)

1976	John William Queenan*
1977	Howard Irwin Ross*
1978	Robert Kuhn Mautz
1979	Maurice Moonitz
1980	Marshall Smith Armstrong
1981	Elmer Boyd Staats
1982	Herbert Elmer Miller
1983	Sidney Davidson
1984	Henry Alexander Benson
1985	Oscar Strand Gellein
1986	Robert Newton Anthony
1987	Philip Leroy Defliese
1988	Norton Moore Bedford
1989	Yuri Ijiri
1990	Charles Thomas Horngren
1991	Raymond John Chambers
1992	David Solomons
1993	Richard Thomas Baker

* Deceased