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Accounting Hall of Fame 1999 induction: Ray J. Groves

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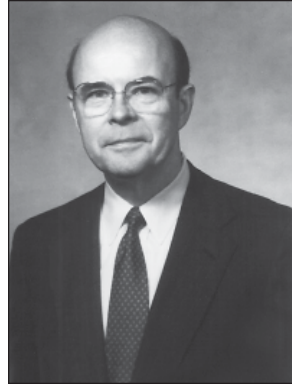
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ACCOUNTING HALL OF FAME 1999 INDUCTION

August 16, 1999
San Diego, California

Remarks, Citation, and Response

RAY J. GROVES



REMARKS

by

Dennis R. Beresford
University of Georgia

Four weeks ago today, I received a voice-mail message from Dan Jensen telling me that Ray Groves had been elected to the Accounting Hall of Fame. While that was wonderful news, it got even better for me when Dan went on to say that Ray had asked that I be his presenter. I've had more than my fair share of professional recognition but, clearly, no higher honor than this opportunity to present Ray today.

I've known Ray for almost 28 years. I can actually pinpoint the date as October 1, 1971, when we both reported for service in the national office of Ernst & Ernst. Ray had moved across the hall from the Cleveland-practice office to become senior technical partner of the firm. My own new position was much less exalted, a manager in audit research.

To my great benefit, Ray took me under his wing almost immediately. Thus began probably the most exciting five years of my life, working directly with Ray as he developed a comprehensive national technical function for the firm.

The official citation, which I will read in a few minutes, lists many of Ray's professional accomplishments. They are certainly sufficient to warrant the high honor he receives today. But the official record may not capture personal characteristics of the man. In thinking about how best to do that, I started developing a list of words and terms that help describe him.

One obvious characteristic is his high energy level. I still remember my first out-of-town trip with Ray. We ran three blocks to his parking garage, each of us with a suitcase in one hand and a full briefcase in the other, in order to then speed to the airport and make a flight by about three minutes.

Another characteristic is his superb ability to communicate clearly and succinctly. One assignment we worked on together was to summarize, for the CEO of a major corporation, all of the rules on accounting for business combinations, on a single wallet-sized card!

Still another important reason for his success is his outstanding listening skills. His powers of concentration are amazing. When you are explaining something to him, you almost feel as though he is somehow reaching inside you to pull out the best you have.

When I asked my wife to read these comments, she said that the best way to describe Ray was that he always made you feel that you were important and a friend. Some other words and terms to describe Ray are:

- * Smart (extremely so)
- * Disciplined
- * Demanding
- * Creative
- * Focused
- * Loyal
- * A big-picture thinker
- * An internationalist

But for those who had the opportunity to work closely with Ray, I think there is one skill above all that distinguishes him. That is his ability to truly empower all of those who worked with him, years before empowerment became a popular management notion. Ray gave us plenty of responsibility and expected us to perform at a higher level than we thought ourselves capable.

Recently I heard that Ernest Hemingway once said, "Sometimes I have good luck and write better than I can." Those of us who have worked closely with Ray recognize that we were indeed lucky as he helped us to perform better than we could.

When Ray retired from Ernst & Young in 1994, I sent him a letter thanking him for his friendship and support for over 20 years. Let me close my comments by reading one paragraph of that letter:

I recall the many enjoyable partner meetings at the firm. My favorite part always was the dinner when retiring partners reflected on their careers. Those presentations were often very entertaining. But from my perspective as a young partner at the time, the biggest impression was realizing how great an accomplishment it was just to complete a 35-40 year career with one firm. With that perspective in mind, for you to complete such a successful career and to lead the firm for 17 years is almost unbelievable in today's complex world.

You were my mentor and my role model, Ray. Your election to the Accounting Hall of Fame was a slam-dunk, in my view. So let me now read the citation.

CITATION

written by

Daniel L. Jensen

The Ohio State University

This national and internationally respected leader of the accounting profession was born in 1935 in Cleveland, Ohio. He attended Cleveland public schools where he studied French from the second through the tenth grades. He began his career at The Ohio State University in the arts and sciences college but transferred to business in his second year. His interest in accounting was stimulated and encouraged by the excellent teaching and advice of his introductory accounting professor and mentor, James McCoy, who recommended him for a General Electric scholarship and arranged for him to work part-time at a local public accounting firm. He also found time to serve as president of his Beta Alpha Psi chapter and pitcher-manager of his dormitory's baseball team. During his senior year, he obtained an internship with Ernst & Ernst in Cleveland. Upon graduation with honors in 1957, he decided to forego an opportunity to attend law school and joined E&E on a full-time basis. Former E&E chairman and Hall of Fame member Richard Baker recalls, "I did a lot of recruiting for the firm in those days and the only person who had a straight-A record was this young man from Cleveland."

In 1966, at the age of 31, he was promoted to partner, becoming the youngest person in firm history to be admitted to the partnership. In 1968, he was named North Central Regional Director of Accounting and Auditing and, four years later, he became National Director of Accounting and Auditing and SEC Practice and chair of the firm's Technical Committee. During this period of rapid change and development in accounting principles, he spearheaded an extensive and influential series of publications on accounting, auditing, and related topics. During one 12-month period in the early 1970s, his department issued 100 publications. In 1976, he became deputy chairman of E&E and, upon the retirement of Dick Baker the following year, he became chairman and chief executive officer, a position he held from 1977 through 1994.

As chairman and CEO, he set about preparing to meet the challenges of the coming 1980s—an emerging global marketplace, new industry focuses, and increasing competition in financial services. He recalls, “We agreed that there were three things we had to do to meet these challenges—establish a much stronger presence and size capability in New York, create an international firm, and strengthen our marketing efforts.” In 1978, E&E merged with the New York firm of S. D. Leidesdorf & Co. and in 1979, with the English firm of Whinney Murray & Co., changing the new partnership's name to Ernst & Whinney. And in 1989, Ernst & Whinney merged with Arthur Young & Co. to form Ernst & Young. During his 17 years at the helm, he led a national firm with particular strength in the midwestern U.S. to become one of the world's dominant professional services firms. He also led his firm out of the difficult and litigious period following the savings and loan industry collapse, while maintaining the firm's commitment to quality, client service, and professional integrity.

His dedication to the betterment of the accounting profession is reflected in his distinguished record of professional service. Following service to the American Institute of Certified Public Accountants as a member of its board of directors and council, chairman of its SEC practice section, and chairman of its Committee on Relations with the SEC, he was named chairman of the Board of the AICPA for its 1984-85 year. As chairman, he was instrumental in the creation and appointment of the Treadway Commission that undertook to improve financial management and deter financial fraud. As chairman, he also expressed his long-held concerns about accounting disclosure overload and advocated the need for financial reporting and

auditing that accommodates changing and diverse needs for financial information. His extensive record of professional service also includes membership on the Board of Trustees of the Financial Accounting Foundation, the Board of Governors of the American Stock Exchange, the Board of Governors of the National Association of Securities Dealers, and numerous committees of the U. S. Securities and Exchange Commission including its Advisory Committee on Corporate Disclosure.

His personal dedication to service on behalf of academe and the community at-large is reflected in his extensive record of volunteer leadership in organizations through membership on their boards and committees. A long-time supporter of higher education, he has served on the advisory councils and boards of many colleges and universities including his alma mater, The Ohio State University, the University of Pennsylvania's Wharton School and Center for Study of the Service Sector, the University of Chicago's Graduate School of Business, and Ursuline College. He currently serves as vice-chair of the Board of Directors of The Ohio State University Foundation. His many public service activities include councilman for the City of Lyndhurst, Ohio; chairman of the Board of Trustees of Leadership Cleveland; chairman of the Fishman-Davidson Centre for Study of the Service Sector; and membership on the boards of the Business Council of New York State, the Business Council for the United Nations, the New York State Public Policy Institute, and the Council on Foreign Affairs. He also serves as a managing director, executive committee member, and secretary-treasurer of the Metropolitan Opera Association.

His many honors and awards include the Gold Medal of the American Institute of Certified Public Accountants and countless awards from the colleges, universities, and professional and service organizations to which he has given so generously of his time and energy over the years.

Currently, he is chairman of Legg Mason Merchant Banking, Inc., a private equity fund, and serves on seven New York Stock Exchange company boards of directors. In addition to a deep interest in the opera, he enjoys hunting, golf, reading, and supporting his wife's interest in American and European antiques. He lives with his wife, Anne, in New York City and Connecticut; they have three sons, David, Philip, and Matthew. He is the 63rd member of the Accounting Hall of Fame, Ray John Groves.

RESPONSE

by

Ray J. Groves

Ernst & Young, retired,

and Legg Mason Merchant Banking, Inc.

In accepting this honor, I wish first to thank Denny Beresford for his very generous comments. It has been a personal as well as a professional pleasure to have been associated with Denny for more than 25 years. I also wish to thank Professor Dan Jensen for his tireless commitment to maintaining the historical purpose and importance of the Accounting Hall of Fame.

There are so many people who have contributed to my education and career—academics, professional colleagues in my firm and in the profession, government officials, corporate officers, AICPA staff, and certainly my wonderful family. I wish to thank them all very much for their support over many years.

With your permission, I would like to devote the remainder of my comments to some thoughts on accounting education. In my opinion, accounting education is the foundation of all achievements in accounting—past, present, and especially the future. Ten years ago, the then “Big Eight” firms issued a White Paper on accounting education (which, Mike Cook, my fellow honoree today and I both signed). The White Paper led to the creation of the Accounting Education Change Commission and included a significant financial commitment to support the development of stimulating and relevant curricula. The foreword to the White Paper started with the following two sentences:

We have developed this paper because of our concerns regarding the quality and number of accounting graduates available to the public accounting profession. At the same time, questions are being raised by the academic community regarding the effectiveness of accounting education.

In the decade since the White Paper was issued, much progress has been made in teaching an integrated way of thinking about business. I congratulate all who have contributed to this meaningful progress.

However, the greatest challenge for accounting education continues to be the pace of change. Whether it is e-commerce or distance learning, change is occurring at an incredible rate. Future graduates may be performing work that has not yet even been identified. The *Journal of Accountancy* characterized the

environment well in a recent issue (May 1999, p. 4):

The education a CPA got in the 1980s is a fraction of what he or she needs to know today. CPAs in industry have burst out of a once narrowly defined area and become corporate strategic planners and decision makers. CPAs everywhere are doing more for their clients and their employers because the marketplace demands more.

So I am using this forum and this opportunity to encourage strongly the public accounting firms, together with the corporate and financial communities, to renew and expand their commitment to accounting education. These professional and business communities must work even closer together today than they have in the past. They need to forge effective partnerships with accounting educators to continue to enhance accounting education and to capitalize on the opportunities presented by the expanding domain of accounting and the rapidly developing information and communication technologies. This commitment is necessary if the future graduates are to be prepared and qualified to be the future business leaders of our society.

The increased commitment that I urge the business community to embrace must include not only more financial resources, but also a much more generous sharing of the time of the most talented people within firms and companies. Faculty development is of greater importance today and in the future because the technology of accounting practice is changing so fast that it is very difficult to codify it for inclusion in curriculum. It's a race to get this technology to the campus before the technology becomes obsolete.

The marketplace does indeed work—not always in the chronology that we wish—but it works. The marketplace is again calling for the partnership of education and business to move to a higher level of support post-2000. I urge the leaders in education and business to exercise their leadership in responding to this challenge.