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People in H&S: Michael N. Chetkovich

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What sort of man is Mike Chetkovich? A man whose rare combination of professional talent and personal qualities made him the logical choice to be named managing partner of a major public accounting firm. A man whose abilities were recognized by his profession when it named him chairman of the prestigious American Institute of CPAs. A man who represented the profession during one of its most critical periods of transition and change, who has traveled thousands of miles and devoted countless hours working for international harmony and cooperation, and who has never lost sight of or interest in the importance of improving the education of future accountants to ensure that they are equipped to meet the demands of the profession in the years ahead.

Mike Chetkovich is a complex individual, and such a person is like a finely faceted diamond — the physical contours are fixed but the inner light shifts and reflects, revealing the depths that lie within.

In many respects Mike’s life represents The Great American Success Story, Horatio Alger updated. Mike was born in Angels Camp, California, where his father, who came to this country from the Dalmatian Coast of what is now Yugoslavia (as did his mother), was a gold miner. During his college vacations Mike, too, worked briefly in the mines, loading ore cars. In retrospect, he maintains that he much preferred the time he spent working on a highway maintenance crew.

An outstanding student at the University of California at Berkeley, Mike was elected to Phi Beta Kappa and received a bachelor of science degree. In his senior year he was president of Beta Alpha Psi, the accounting fraternity, and Beta Gamma Sigma, the honorary business fraternity. He earned a master of science degree from the school on a fellowship.

America was on the brink of war in 1941 when Mike sat for the Uniform CPA Examination and was awarded the Forbes Medal of the California Society of CPAs for achieving the highest grades in the state. The following year he went on active duty with the Naval Reserve, where he was assigned to Intelligence and learned Japanese. After four years with the Navy, interrogating prisoners of war and translating documents, Lieutenant Chetkovich was discharged in 1946.

Mike returned to the prominent west coast accounting firm of McLaren, Goode, West & Co., where he had been employed before entering the service. He was a partner with that firm in San Francisco when, in 1952, it merged with Haskins & Sells and Mike became a partner in H&S. He was named partner in charge of the San Francisco office in 1965, transferred to Executive Office in 1967, and in 1970 was named managing partner.

The variety of Mike’s involvement in professional and other activities over the years best illustrates his commitment to his profession and his deep interest in education and international understanding. He was a director and vice president of the California Society of CPAs before moving to New York, taught accounting for the University of California Extension Division and served on the Santa Clara County (California) grand jury as well as on a lay advisory committee for a new mathematics program for the Palo Alto school system. He is a member of the boards of directors of the Business Council for International Understanding and the New York chapter of the American Cancer Society, a member of the advisory board of the Council on Financial Aid to Education and a trustee of the United States Council of the International Chamber of Commerce.

Mike has been a vice president of the American Accounting Association, a member of the Institute of Internal Auditors and a governor of the Accountants Club of New York. He has served as AICPA representative to the International Coordination Committee for the Accountancy Profession since its formation in 1972.

As chairman of the AICPA, Mike has had a particularly busy speaking schedule this past year. In just under eight months, from late January to mid-September 1977, he addressed the Rochester Institute of Technology as a William D. Gasser distinguished lecturer; the Hawaii Society of CPAs in Honolulu; the American Accounting Association in Portland; the Harrisburg (Pennsylvania) Rotary Club; the Pacific Northwest CPA Conference in Fairbanks, Alaska; the Institute of Chartered Accountants in England and Wales in Cambridge, England; the Middle Atlantic States Accounting Conference in White Sulphur Springs, West Virginia; the Institute of Chartered Accountants in Australia in Sydney; the Southern States Conference of CPAs on Marco Island, Florida; the Transvaal Society of Chartered Accountants in Johannesburg, South
Africa; the Salisbury Regional Association of the Rhodesia Society of Chartered Accountants in Salisbury, Rhodesia; the Idaho and Nevada CPA Conference in Sun Valley, Idaho; the graduating class of the Schools of Business Administration, University of California at Berkeley; and the AICPA annual meeting in Cincinnati.

Mike's background gives him a unique perspective on the major questions and challenges facing Haskins & Sells and the public accounting profession.

At a time when the profession has come under close scrutiny in the press and the public eye generally, Mike is particularly concerned about the actual role of the independent public accountant — or at least how it is seen from within — compared with what he calls the "public's perception" of that role.

"We live in an atmosphere of high expectations. There is a tendency to want more from our institutions and professions than they seem prepared to give. In this case I mean not so much the standards of performance — which certainly should be subject to high expectation — as the nature of the service and who is being served. The emphasis is on serving the public, and that has come increasingly to mean the total public. We in public accounting are particularly susceptible to this kind of expectation because of the nature of our role as independent accountants and because we hold ourselves out to be public accountants."
"Certainly we must be concerned with the broad public interest in everything we do. But there must be a sharper focus on whom we serve in terms of priorities and responsibilities. In this respect the report of the Commission on Auditors' Responsibilities, of which our Ken Stringer is a member, is both timely and highly relevant. It is difficult, to say the least, to serve all masters and to serve them equally well," Mike said.

Another of his major concerns has to do with the way the AICPA is perceived, not only from outside but also by its own membership.

"There is a tendency to expect the Institute to be all things to all people," he noted. "Inevitably it must fall short and thus is criticized because it does not respond quickly and effectively to public needs, because it does not move forward forcefully on all issues, because it is unduly responsive to one segment or another of its membership.

"Now I would certainly not argue that the Institute approaches perfection; it has its faults and it can be improved — made more responsive and effective. But I do want to state, and state emphatically, that it is a far better organization than it is held to be in some quarters. In fact, the outstanding impression left on me by my year as chairman is that the Institute is a strong and effective instrument for serving its members — all its members — as well as the public. The important thing is that the members involve themselves in its activities and support them. By very definition, a membership organization can be effective only with the involvement and support of its members."

Indeed, at the Institute's lively Council and annual meeting in September, the membership approved an innovative program which should provide for broader and more active participation by its membership, particularly by smaller firms and sole practitioners, and strengthen the Institute's ability to respond to the needs and challenges of today and the future.

One of the key changes approved at the meeting was termed highly significant by Mike, one which he is convinced "will expand and strengthen the Institute's role in the profession." This involves creating two divisions of firms, with one section made up of firms which have clients that file with the SEC and the other section consisting of firms whose clients do not.

In his address to the American Accounting Association last August, Mike said: "The principal objective for the establishment of the SEC-practice section is to deal with some of the concerns of those in Washington, through a more rigorous system of self-regulation, and one which deals with firms rather than individuals. The principal objective in forming the other section is quite different — it is intended primarily to provide a vehicle for broader and more active participation in Institute activities by smaller practitioners and to give this very important segment of our membership a better opportunity to be heard."

This proposal was quite controversial, in part at least because there had not been the usual leisurely period devoted to explanation, discussion and debate. As a result, the meeting of Council and the membership meeting that followed saw heated and sometimes angry debate. Yet Mike feels that this was one of the Institute's finest moments and that it has emerged stronger as a result.

"Everyone had an ample opportunity to have his say in an atmosphere where even the most deeply committed recognized that there was room for a difference of opinion. What impresses me most was that, after it was over, a number of the strongest dissenters expressed themselves as satisfied with the process — if not the result — and assured me that they would now give the program their wholehearted support. I was never more proud of the profession and the Institute than I was in Cincinnati — whatever the future may bring."

Does the AICPA intend to take a more activist role in politics? "Yes, necessarily," Mike said. "I don't mean that we will become heavily involved in a lobbying sense, nor in taking positions on a broad spectrum of legislation, but we will be monitoring Washington developments very closely. We
are encouraging AICPA members to testify in their areas of competence, and we're also urging our members and the state CPA societies to keep in close contact with their legislators. We believe it's vital to cooperate to the maximum extent possible with federal agencies and legislative groups, but we feel it is just as vital that they have an accurate picture of the accountant's role in our economic system, that they understand what we can and can not do. In other words, we want them to know that our positions on various matters are based on hard realities, the world as it is, and not just as some think it is or would like it to be.

Mike said he was particularly gratified by the interest and support shown toward the improvement of accounting education both by the AICPA and the profession generally. "We are in the forefront of the world profession in this respect," he observed. The Institute's Board on Standards for Professional Schools and Programs in Accounting, under the chairmanship of Herb Miller, has submitted a final report which identifies and recommends standards for professional schools and programs in accounting. The report urges the AICPA to assume a significant role in the formulation of an accreditation process.

"The Board's report recommends the establishment, wherever possible, of autonomous curricula in accounting," Mike pointed out. "However, I think it important to keep in mind that autonomy does not mean isolation. Accounting is closely related to other social sciences and business disciplines. Structure should not inhibit com-

munication among related disciplines where close communication is vital. Particular attention must be given to ensuring such communication and interchange whenever separate schools of accountancy are established.

"But most important, no matter what final structure may evolve in the process of educating accountants, is that the school program be a highly rigorous and professional one and that entry be restricted to those who give reasonable indication of the ability to master it. Accounting is becoming an increasingly demanding profession, and high standards are required of schools and students if high standards are to be maintained by the profession."

What sort of program would he recommend to someone entering college today who wants to become an accountant?

"There's a considerable range of views on this subject," Mike admits. "I think a broad academic program is important, including a considerable number of courses not closely related to accounting and business. An overconcentration on accounting and business courses — to the exclusion of a more varied program — not only can prove limiting in a career sense, but is likely to limit one's ability to appreciate and enjoy some of the better things in life. Admittedly, this places a somewhat heavier burden on the student, but success in our complex society today almost demands a broader education than was necessary thirty or forty years ago."

Mike sees the role of the specialist becoming more important to H&RS and to the profession in the years ahead.
"The growing complexity of the economic environment and life itself calls for a corresponding increase in the need for specialization in almost every field, and accounting is no exception," he argues. "It is becoming very difficult, perhaps even impossible, to be an effective generalist, if for no other reason than that there is a need to know so much today to function well in any profession. And in this respect the accounting profession is no different from the legal or medical professions or the sciences.

"The key for us, for Haskins & Sells, is the proper delineation of roles, a careful analysis of the functions of the specialist and the administration of those functions to provide coordinated and effectively controlled services consistent with our high quality standards. Quality of service is always our ultimate objective, and in the case of the specialist and his growing importance to our overall practice we must employ those services in a manner consistent with the objectives of our Firm and the profession. The AICPA, for example, currently is conducting an in-depth study of specialization and of the advisability of accrediting specialists within the Institute.

"It’s really difficult to say now how the growth of specialization may affect our practice or accounting generally," Mike pointed out. "There are so many changes taking place now, other changes that may be made in the years ahead, as the result of both internal reevaluation and outside pressures. However, I think it safe to say that we will have to rely more and more on teams to serve our clients properly, teams that will include specialists who can meet the specific needs of each particular engagement."

Will specialization become a "fast track" to a successful career with the Firm? "There’s no question that the specialist often has the opportunity to make a strong, even dramatic, contribution. But in a Firm the size of ours, with the diversity of our practice, specialization, in the narrow sense, certainly is not a requisite to advancement — but neither is it a bar," Mike said. "Whether or not to specialize is a decision that should be made by the individual, based largely on his or her own personal and professional goals and objectives. Certainly the Firm will not penalize anyone for responding to his or her needs. The Firm and the profession offer opportunities for growth and advancement sufficient to satisfy anyone with the ambition and abilities needed to practice as a CPA in today’s environment."

One of the larger questions facing the accounting profession is that of increased federal regulation in the years ahead, and on this question Mike is guardedly optimistic.

"I think it would be unrealistic not to expect continuing interest in the accounting profession on the part of Congress and government agencies," he said, "but it is important to keep this in perspective. The accounting profession has not been arbitrarily singled out for increased scrutiny by the communications media and the government. The greater attention being paid to accountants is a reflection of a trend that developed as a result of a growing demand by the public for higher standards on the part of everyone with institutional policy-making or influencing roles — and that includes us."

"The AICPA, the Financial Accounting Standards Board and the public accounting firms are working hard to respond to the demands of our critics while — and this is vital — at the same time ensuring that the changes brought about by these responses do not compromise the high standards of ethics and service that have been the hallmark of the profession.

"We hope, of course, that we can achieve such an effective degree of self-regulation that there will be no need for federal intervention. I’m optimistic about our programs, but it’s only realistic to expect more outside attention in the future. At the very least, we can expect that the profession will be monitored and watched more closely than ever by government and quasi-governmental agencies.

"Looking at the situation objectively, we must remember that we are dealing not only with realities, but with the perceptions of those realities by many persons who are not practicing accountants. The tendency often is for the perception to focus on faults or weaknesses without considering the total perspective and the limitations inherent in any activity such as ours.

"In some respects," Mike observed, "it’s a problem of communications, of image. The accounting profession has an image problem, as do other professions. We have to work at presenting ourselves and our functions as we are — and as fairly and effectively as possible. And that’s not through what might be called a public relations campaign, but rather by our actions, which will demonstrate the kind of people we are.

"It will help if all of us do our best to contribute to society. Accountants have a great deal to offer civic, charitable and cultural organizations, for example. We have an inherent objectivity and detachment, a special exper-"
...We must remember that we are dealing not only with realities, but with the perceptions of those realities by many persons who are not practicing accountants.

...In the case of Haskins & Sells, the years have brought changes in structure, in management. Perhaps most significant to me, though, is the fact that the overriding philosophy of how we perform our services — our constant emphasis on quality — and how we interface with our public are not significantly different today from what they were in the past. Certainly there has been no lessening of our emphasis on integrity, on pride in performance, on service to the client and the public to the best of our abilities. We've always been concerned with the dignity of the individual. These priorities have remained constants, benchmarks, since the Firm's founding. If anything, I would hope that we have reinforced our commitment to them.

"I suppose what it boils down to," Mike said, "is that perfection is sought in an imperfect world. Standards are set so high that they are likely to be unattainable. Yet, we recognize one important fact: it's far better to try to achieve impossible standards than it is to lower those standards to match performance — even if that might be more 'realistic.' Perhaps Robert Browning summed it up best in the poem 'Andrea del Sarto': 'Ah, but a man's reach should exceed his grasp, or what's a heaven for?'"

Now that Mike's year as chairman of the Institute is completed and he prepares to retire from H&S, what are his strongest impressions of a long and rich professional career?

"I've been incredibly fortunate," he said. "Despite what might be considered a humble background, because there have always been so many helping hands along the way, I've enjoyed a tremendously fulfilling career. It would take too long even to mention the high spots, but, just briefly: being able to do and to participate in so many things, having the opportunity to serve my profession in a time of significant challenge, being able to stay close to my alma mater over the years and being richly rewarded for what little I was able to do for her. And, above all, the association with all of the people at Haskins & Sells. There is no way I could describe the pride, the satisfaction and the affection I feel for the people of our Firm."

And what of retirement? "Because of the nature of the times, and events, I've built up to such a high level of activity that, no doubt, it will be different to wind down. There will be some carryover of Institute and extracurricular activities, but there also will be a big gap. I'm asked so often what I'm going to do that I ought to have a ready answer... but I don't. Frankly, I look forward to a few months of contemplating the problem. I've been at it, almost totally involved, for longer than I can remember and it should be a welcome change, for a while at least, to have a little more flexibility and time for thought and even a little leisure. But I'm sure it won't be just sunshine and contemplation for long. As I said, some activities will carry over and I imagine I will become involved in teaching for a while; I've always had a yen. The campus has never lost its appeal for me.

"But, regardless of what I do, I know that I shall miss what I have and what I am doing now — not so much the job — fascinating, challenging and rewarding as it is — as the people I know and work with on a day-to-day basis. There is no way that gap can be filled."