GIVING AN ACCOUNT

LIFE HISTORIES OF FOUR EMINENT CAs

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CONTENTS

Foreword .............................................................................. i
Acknowledgements ................................................................ iii

Professor W T Baxter
Biographical note by Professor G Whittington ..........  1
Interview .............................................................. 9

Professor David Flint
Biographical note by Professor J R Edwards ..........  55
Interview ............................................................. 65

Sir Ian Morrow
Biographical note by Professor M Moss ..........  113
Interview ............................................................ 127

Sir John Calman Shaw
Biographical note by Professor T Lee ..........  167
Interview ........................................................... 175
FOREWORD

ICAS is proud of being the oldest accountancy body in the world and of being able to trace its history back for more than 150 years. Yet it is still the case that some senior members of ICAS, whose past activities have helped shape our profession and the business environment in which we now operate, have personal memories that cover half or more of the profession’s lifetime. We are fortunate indeed that some of them have been willing to share these recollections, giving a series of insights from their experiences and reminiscences.

Their recollections are drawn from memory and so are inevitably subjective and incomplete, but the interviews do not pretend to represent a complete picture of the business or professional environment that they describe. Instead they are intended to provide a living record of the background and views of past leaders of our profession, highlighting determinative events and influences that have influenced the way the profession and business practice has developed, and their own role in some of them.

The style of the interviews varies, reflecting in part the style of interviewers and in part the reactions of the individuals concerned. It is our hope that, taken together, the reader will gain a variety of insights, some profound and some amusing, into the development of accountancy and related commercial activity.

Nigel Macdonald
Convener
Research Committee

April 2005
Acknowledgements

Oral history is often employed as a means of rendering audible the lives of those who leave little documentary trace of their experiences. In the context of a professional community oral history may be deployed to record the contribution of members pursuing diverse career paths and practising in a variety of organisational and geographical settings. This project originated from a recognition by the ICAS Research Committee that the life histories of some of the most influential figures in the Scottish profession might be lost if their experiences were not recorded. The recording of those experiences was considered particularly important because they concerned a period of momentous change in the profession, particularly in respect of accounting education, regulation, practice and the role of the accountant in industry and commerce. The CAs interviewed here in 2000 and 2003, William Baxter, David Flint, Ian Morrow and Jack Shaw, informed and observed those changes. Thanks are due to each of them for giving freely of their time to participate in this project.

No-one should be under any illusions that gathering oral testimony is a ‘soft’ form of historical research. Oral history properly conducted involves substantially more than recording a genial conversation over afternoon tea. The interviewers - Professors John R Edwards, Tom Lee, Michael Moss and Geoffrey Whittington - will attest to the challenges and pleasures of conducting preparatory research on the interviewee, composing informed questions, organising interviews, mastering recording technology, building rapport with the subject, and the need to combine sensitivity and authority to keep the interview on track. Thanks are due to each of them for performing this task with skill and considerable insight.
Once the interviews had taken place the recordings were ably transcribed by Carol Mearns and Lesley McIntosh. The transcripts were then distributed to interviewees and edited to ensure a readable style, historical accuracy and the avoidance of repetition. This, often time consuming process, was conducted with sensitivity to the need to preserve the interviewee’s meaning, capture the character of the interview and prevent an over sanitised rendering of respondents’ lives. Original interview disks have been retained by ICAS. The final draft histories, expertly formatted by Isobel Webber, are published with the agreement of the interviewees. Thanks are also due to Richard Anderson, Aileen Beattie and Ann Lamb of ICAS for their careful management of the various stages of this project.

Stephen P Walker
Editor
Professor W T Baxter
A Biographical Note
by Geoffrey Whittington

Professor William Threipland Baxter made an outstanding contribution to academic education and research in the twentieth century. Happily, he continues to discuss and write on the subject, in his characteristically lively manner, in the twenty-first century. The interviews recorded here are ample evidence of this. Professor Baxter was presented, in advance, with five pages of detailed questions about his career. These are appended to the transcript of the interview. When it came to the first, somewhat innocuous question, “Where were you born?”, he spoke continuously and eloquently for 1¼ hours, with only occasional reference to his notes, answering, in the process, more than half of the questions, and stopped only by the fact that the recorder disc was full. The subsequent two sessions followed a similar pattern.

Professor Baxter was born in 1906 and was educated in Edinburgh at George Watson’s College and subsequently at the University of Edinburgh, where he combined studies for the BCom degree with an apprenticeship with Scott-Moncrieff, Thomson and Shiells, Chartered Accountants. After qualifying as a CA in 1930, he joined the firm of Graham, Smart and Annan, one of whose partners, Professor William Annan, had been his Professor at the University of Edinburgh. At Professor Annan’s suggestion, he applied for, and was awarded, a Commonwealth Fund Fellowship which enabled him to study for two years in the United States at the Universities of Pennsylvania (the Wharton School of Business) and Harvard (the Harvard Business School). Whilst at Harvard, he developed a life-long interest in business
history, and particularly the importance of accounting records in historical research. A direct outcome of his work at Harvard was his book *The House of Hancock – Business in Boston, 1724–75* (published in 1945).

On returning to Britain, Baxter spent a brief period in London, where he continued his historical work at the Institute of Historical Research but also had his first contact with the London School of Economics and Political Science (LSE), where the Commerce Department was, at that time, under the dynamic leadership of the young Professor Arnold Plant.

Later, in 1934, Baxter returned to Edinburgh, at Annan’s invitation, to become the first Lecturer in the Department of Accounting and Business Method. Back in Edinburgh, he developed his teaching skills, writing, as his first book, a text book on *Income Tax for Professional Students* (1936). He also developed his interest in economics, previously stimulated by his visits to the LSE, through his relationship with colleagues in the Economics Department at Edinburgh, notably the young lecturer, Kenneth Boulding, who subsequently had a distinguished career in the US.

In 1937, the University of Cape Town, on the recommendation of Professor Plant, offered Baxter its Chair of Accounting, which he accepted. He spent ten years in South Africa, teaching and also developing the foundation for his later writings on accounting theory. He continued to be interested in the contribution of economics, and had a fruitful relationship with the economists at Cape Town, notably George Thirlby, a business economist who subsequently joined the academic staff of the LSE. It was whilst on a sea voyage from South Africa that Baxter first read J C Bonbright’s *The Valuation of Property*. This introduced him to the concept of value to the owner which, retitled deprival value, was subsequently to have a strong influence on his own writings on valuation and depreciation.
In 1947, again with the support of Plant (by then Sir Arnold Plant), Baxter returned to Britain as the first full-time Professor of Accounting at the LSE. Thus, a few months before Donald Cousins (of Birmingham University), was appointed to a full-time Chair in the subject, he became the first full-time professor in the subject in the whole of the United Kingdom. He remained at the LSE as Professor until his retirement in 1973, since when he has retained his connection as a Professor Emeritus.

The period of Baxter’s association with the LSE (including his retirement, which has been particularly productive of publications) was not only the longest part of his career, but also the most fruitful. The experience gained in Edinburgh, the US and South Africa was brought to bear on a task which became nothing less than the establishment of accounting as an academic discipline in England. He also had an important influence on subsequent developments in Scotland, where his career as an academic had begun.

There were three broad aspects to Baxter’s work at the LSE, which will be considered in turn. These were the teaching programme of the LSE, the wider development of accounting as an academic discipline, and research. The three were closely related.

Under Baxter’s leadership, accounting was taught at the LSE as a broad-based discipline, drawing on the other social sciences, particularly economics. This suited the environment of the LSE. It also suited the needs of the accounting profession at the time, although the professional bodies, particularly the Institute of Chartered Accountants in England and Wales, did not always appreciate the merits of this liberal approach to accounting education. Baxter’s work in developing the Department at the LSE was aided particularly by two colleagues, David Solomons, who left in 1955 to take up the first chair of Accounting at Bristol University, and Harold Edey, who joined the Department as a full-time lecturer in 1949 and continued as a Reader (1955) and Professor (1962) until his own retirement in 1980. The full-time teaching staff at the
LSE was small, but, under Baxter’s leadership, they produced a degree programme which was innovative in its analytical and critical approach to accounting. The teaching strength of the Department was reinforced by employing former students as part-time teachers (a practice possibly endorsed by Baxter’s own early experience in Edinburgh). The shortage of suitable reading matter for the students was alleviated by Baxter’s collection of choice papers, *Studies in Accounting* (1950) and Solomons’ companion volume *Studies in Costing* (1952).

As a result of these efforts, the LSE undergraduate degree in accounting produced a steady and growing stream of able graduates who mainly entered the accounting profession, armed with an education in related disciplines and a critical approach to accounting practices which was unprecedented in Britain. Inevitably many of these graduates rose to the top of their profession, examples being Ian Hay Davison, who was Managing Partner of Arthur Andersen in the UK in the period when it established itself as a national firm there, and Sir Michael Lickiss, who became Senior Partner of Grant Thornton and President of the Institute of Chartered Accountants in England and Wales. Inevitably, the success of LSE graduates eventually helped to mellow the earlier sceptical attitude of the profession, notably the Institute of Chartered Accountants in England and Wales, to Baxter’s efforts to promote university education in accounting. Baxter attributes this mellowing of attitude also to the changing nature of the profession and, in particular, its increasing demand for intellectual skills.

That same shift in demand for graduate-level skills led to a great expansion in university places in accounting during the 1960s. Baxter’s former students and associates at LSE were ready, waiting and able to fill the consequent increase in academic posts that resulted. The crop of new professors in the subject was dominated by LSE graduates to the extent that in 1971, of twenty professors of accounting in the UK (excluding Baxter), nine had degrees from LSE (Parker, 1997,
The survey included Scotland, which had developed its own tradition of university education in accounting closely aligned with professional education, with part-time Chairs in both Edinburgh and Glasgow. Edinburgh had given Baxter himself his academic foundations and it was therefore appropriate that three of Baxter’s former pupils and associates were appointed to chairs in Scotland when university departments there expanded in the late 1960s and early 1970s.

Another feature of the teaching of accounting at the LSE which was introduced during Baxter’s period there was the development of graduate programmes, and particularly taught Master’s courses. The latter were an extremely successful feature. They were introduced in 1964 to provide an academic background in accounting and related disciplines for qualified accountants who had not previously studied these subjects at university. Another constituency was those who had studied other subjects at university. These courses were extremely successful in attracting future academics: amongst the first graduates were Bryan Carsberg and Susan Dev, both of whom subsequently became professors at the LSE. Many other current accounting academics have studied for the LSE Master’s degree. Similar Master’s programmes were subsequently introduced by other universities.

The training of accounting academics at the LSE was, of course, a significant contribution to the wider development of accounting as an academic discipline. However, Baxter’s contribution was larger than this. He was one of the founders of the Association of University Teachers of Accounting (AUTA), and his Studies in Accounting was sponsored by that organisation as part of an effort to raise the quality of academic courses. He also made international contacts which helped to establish the reputation of British academic accounting in the wider world. He built upon his earlier experience of the US, spending an academic year there in 1958–59 as a visitor to Columbia University and he established a relationship with the University of Chicago which led to the foundation of the Journal of Accounting Research as a joint venture.
of Chicago and the LSE. The second and third editions of *Studies in Accounting* (the second being re-titled *Studies in Accounting Theory*) were co-edited with Professor Sidney Davidson, of the University of Chicago, and this was reflected in the increased transatlantic emphasis of the content. More generally, the LSE, with its strong international reputation, provided an attractive base for visitors from all over the world, and this advantage was well used by Baxter and his colleagues to extend their international connections.

The third strand in Baxter’s work at LSE, research, has continued into his retirement. When he arrived at LSE in 1947, his most substantial piece of published work was *The House of Hancock* (1945), a business history originating in his visit to Harvard. This interest in history has continued throughout his career. In his historical work, Baxter uses accounting to illuminate how businesses developed (as, for example, in his instructive vignette on the Edinburgh Reversionary Association, Baxter, 1989), but also to show how the development of businesses affected accounting. The latter was often manifested most clearly in scandals that led to notable legal cases such as McKesson and Robbins, a case analysed vividly in a recent paper by Baxter (1999).

Baxter’s research work at LSE branched out in a number of other directions, most of which were foreshadowed in his inaugural lecture (published in 1948). These included inflation accounting (Baxter, 1949 being the earliest of his many contributions), the use of accounting measures of cost for pricing purposes (Baxter, 1955, and Baxter and Oxenfeldt, 1961) and depreciation (his book, Baxter 1971, being the most substantial contribution). There were also papers on more specialised areas of accounting, such as foreign branch accounting (Baxter and Yamey, 1951) and partnership accounts (Baxter 1958), and legal issues, such as shares of no par value (Baxter and Gower, 1954). A common theme ran through most of Baxter’s work. This was the problem of making accounts, and particularly accounting measurement, more relevant to the business environment.
Baxter perceived that the solution to this problem was the introduction of measurements consistent with the economic theory of decision making, and, in particular the “deprival value” approach which he had originally encountered in the work of Bonbright. Baxter characterises deprival value as being based on the question “what difference does it make?”, ie in the case of valuing an asset, we record the amount that an owner would lose if it did not own (or were deprived of) the asset. This method of valuation can be seen as an extension of the opportunity cost tradition which developed at the LSE during the 1930s (Gould, 1974). Baxter, and his colleagues, Edey and Solomons, adopted and developed the deprival value (or “value to the business”) concept, particularly in the context of price change accounting, where it was combined with general price level adjustments, to allow for the effects of inflation on profit. Baxter’s own contribution to this field was summarised in his book, Accounting Values and Inflation (1975). Subsequently, he revised this substantially (Baxter, 1984), and celebrated his retirement by embarking upon a practical study of inflation accounting in Latin America (Baxter, 1976). He has since continued to apply his deprival value approaches to accounting policy problems, such as accounting for goodwill (Baxter, 1996).

Another area of Baxter’s research, which was briefly alluded to earlier but is worthy of particular mention, is his work on depreciation. His monograph on the subject (Baxter, 1971) provides a lucid analysis of both the theory and practice of depreciation, applying the discounting techniques that he had first studied as an apprentice in Edinburgh, but also applying his theoretical ideas, notably the application of deprival value. Depreciation is one of the subjects that accounting standard-setters have hitherto failed to analyse with any serious degree of rigour, and when they do undertake this task, Baxter’s work on the subject will undoubtedly be given the attention that it merits.
Thus, William Baxter has made a versatile and significant contribution to the accounting literature. His work is always interesting and well written, and usually spiced with a mischievous wit not usually associated, in the popular view, with accountants or academics. His *Collected Papers* (1978) reproduces his most important papers up to that time, with the added benefit of an autobiographical introduction by Baxter himself, which captures admirably his characteristic style.

There have, of course, been more papers since 1978, and a revised collection was published in 1996. William Baxter’s retirement has been long and productive, as can be seen from the selected list of publications. He has also received many honours: notably he was made an Honorary Fellow of Edinburgh University (in 1994), where he started his academic career, and of the LSE (1978), where he made his most important contribution. Two volumes of papers have been published in his honour (Edey and Yamey, 1974, and Lapsley, 1996).

Baxter concluded the introduction to his *Studies in Accounting* (1950) with the following:

> When the chairman of a meeting does not quite know how to extricate himself from his opening remarks, he usually takes refuge in some such formula as: “And now, ladies and gentlemen, let me no longer stand between you and your speakers”. The words have perhaps lost their original freshness, but the idea is as good as ever …

It is, even now (half a century later) a particularly good idea to adopt this approach when introducing someone as eloquent as William Baxter.

> … and now, ladies and gentlemen, let me no longer …
Professor W T Baxter
Interviewed by Professor Geoffrey Whittington

Early life

I was born in Grimsby in 1906. My paternal grandfather had set up a business selling sails for fishing boats, and my father also worked on the docks as one of the fish merchants. My mother was Scottish. Now, in those days they were just experimenting with appendicitis operations, and my father had an unsatisfactory one, and died when I was three, so I was left then as the only child of a Scottish mother. Thanks to the investments in property by her father, we had an income of £120 a year, which enabled us to live in considerable affluence. We had a maid, whose salary was £12 a year.

In 1915 my mother decided to return to her relations and friends in Edinburgh, where she also thought I should get a better education, so I found myself transplanted to the wider world of Edinburgh, with its castle and cable cars and museum. There we had a pleasant enough flat looking over Bruntsfield Links. Its rent was £24 a year – then, as a war time measure, controlled by the government. The social class of people was very clear in those days. The poor children were ragged, and their mothers had neither hats nor coats, but wore big plaids over their heads, and their fathers cycled in from mines all begrimed. But in Princes Street there were lots of fur coats, and one saw little boys from the superior public schools, wearing Eton jackets and top hats.

The First World War pressed very heavily on us. Young men we knew were conscripted and taken off and some were wounded and killed. One saw companies of heavily laden men sweating profusely,
marching to Waverley Station, perhaps never to come back again. Food was rationed, and of course prices began to go up, which was very worrying for people with a fixed income like us, and by the middle of the war we suffered very considerable hardship. The position got a little bit better when towards the end of the war my mother took a job, something very unusual for a married woman to do in those days. She ran a charitable kindergarten, and she did some very sound work, moving it into the heart of the slums of Edinburgh.

I used to trot across the Links every day to Watson’s, to school. The education was immensely thorough. We had a fine playground, in which we got hot and dirty. We must have been a pretty scruffy lot, because the washing facilities were minimal. The educational philosophy rested on two pillars. They were grammar and the tawse. We started to learn English grammar by about the age of ten, then we went on to Latin grammar and then to French, and it was a very valuable training for which I’m still most grateful. The tawse was plied unstintingly by masters, and no doubt relieved their feelings. I remember the head of mathematics being dyspeptic and very uncertain of temper after lunch. On one such occasion, he asked a class of bright boys if they had understood his exposition. Three pretty good students put up their hands, so he thrashed them. In one master’s class, I remember he gave out 178 strokes in 45 minutes, 18 to one rather mild mannered boy. We didn’t resent this as much as you might think; it was a point of honour to shrug off great pain.

I also went to a Sunday School, in a rather select church, where the congregation was a bit stiff and starchy, but all the proceedings were immensely devout and religious and dignified. It all seemed too good to be true, and perhaps it was. I remember it was in the Sunday School that I first saw a condom, and the superintendent, a kind and scholarly man, had abruptly to leave the country.

Now my outlook on life, as a schoolboy, was greatly influenced by two sets of people. The first was the household of a charming man
called Henry Miekle who had been a lecturer in Scottish history at Edinburgh University and later was to become the head of the National Library of Scotland, and from him I got the feeling that university was a wonderful place and history was a wonderful subject. The second source of inspiration came through a classmate called Harold Barger, and I used to go to his house. We became great friends. Later he became a Professor of Economics at Columbia University, and he helped me a good deal with my work. It was a well-off middle class house: father was a professor. It was very bohemian. Harold’s mother was an outspoken opponent of every form of orthodoxy, and she had great personal charm so the house was always full of distinguished people. E M Forster, the novelist, was a frequent visitor and much loved. The Prime Minister, Ramsay MacDonald, used to drop in occasionally. All this was extremely stimulating, so that, for example, when the younger son was about 20 and announced he was going to write a book, I was startled but determined that if he could write a book, why shouldn’t I? The trouble was of course, that I didn’t know what to write about; but thinking it over, by the time I was in my mid-twenties, it came to me that the teaching of income tax was pretty poor, and that I hadn’t understood the various stages, and that I could do a better job. So that was the genesis of a book on income tax that I think came out about 1935.

**University and professional training**

Now, I was determined to go to University. I had also made up my mind, I think for rather muddled reasons, that I would become a chartered accountant. This was largely due to meeting a chartered accountant when we were on holiday. Very few chartered accountant apprentices went to University, but I thought I’d be an exception in that I would do both a BCom degree and a CA simultaneously in five years, which saved one year from doing the thing in sequence. Looking
back it was a silly arrangement, because it meant I never did either of them well, and didn’t distinguish myself in either of my activities.

Now the Bachelor of Commerce in those days was a splendid thing for me, but looking back one realises how inferior it was compared with undergraduate courses nowadays. The teaching was very scrappy. There were lots of half courses, so one had no chance of consecutive long-term study, in a way that really would develop the mind. Economics was rushed through in two terms. I think that was because some former professor had wanted to get away to London in the summer term. And there was very little in the way of the development of theory. All sorts of things were mentioned, which I now think called for questioning and analysis, but nothing of that sort was attempted. The course in Industry and Commerce was run by a jolly old chap who was an engineer, and certainly analysis and questioning were very remote from his mind. We were told about things like cost allocations without any suggestion that there might be a marginal approach instead. He did perform the remarkable feat for a professor of commerce of going bankrupt. You might have expected that a university would have been delighted to have such an experienced man who could communicate important things after such an event, but the humourless Vice Chancellor fired him, and the poor man was thrown out. There was nothing in the way of supervision, or small tutorials. At the beginning of each year we met a man who I think was called our Director of Studies, a sour person, who told us which classes to go to and that was that. But the great pleasure in the University for me was the student societies, and I took a very active part in the debating societies. In one of the debating societies we met charming young ladies from George Square, the feminine equivalent of Watson’s, and then there was the Dialectic Society, where the debating was serious and of a fairly high standard.

Now, my office was Scott-Moncrieff, Thomson and Shiells. I can’t quite remember why I went there, but I think I visited the office of
the part-time Secretary of the Society of Accountants in Edinburgh, and he gave me a list of places with vacancies, and Scott-Moncrieff had the most handsome building, in Melville Street, so I opted for it. We had to pay a premium of 100 guineas, which was returned to us as our salary over five years of articles. I think Scott-Moncrieff’s in those days was a fairly typical place in size, among the respectable Edinburgh firms. And yet, looking back, it was minute. There were three partners, two typists, and I think four other staff, including one qualified man. Our work was supervised by a managing clerk, a diminutive man from Montrose, whom we loved to tease and whose sayings were quoted among us in a disrespectful way: “... it’s a dirty job, but it’s got to be done – and I’m not going to do it”, and the work was pretty different even from that of other Edinburgh offices at the time, and certainly from that of today. There wasn’t much auditing; there was certainly no consulting. So in a way, I’m like a coelocanthus, who turns up after being deemed extinct for millions of years.

In this office we sat on high stools at desks, and worked at accounts of charge and discharge. The office had a big selection of charities whose finances it supervised, and also the partners would work as judicial factors for the courts. It was taken for granted that the medieval system of accounts of charge and discharge was the right one, and I think it worked pretty well. So we would sit down before great sheets of paper, and with luck, we would get four sheets written in a day. They had to be beautifully ruled, blue lines horizontally, red lines vertically, and with great care about which were single lines and which were double lines. In Victorian times, of course, these drafts were the main accounts of the particular body, but now they were merely the drafts that the typists copied, so in a way it was an enormous waste of labour, but it was not without its value in making us get the idea of organising the data in a systematic way. The firm also ran investment trusts, and during my five years there, it expanded these quite a lot. The theory is of course, that one goes into such an office and in return for the
premium gets instruction. I can’t recollect that I ever received one word of instruction from the partners, though the diminutive clerk, if questioned, would be quite helpful. I can remember him telling me the difference between debentures and ordinary shares and that sort of thing, but the learning process was one of looking at last year’s accounts and copying them. This obviously meant that cheap labour was being used for pretty worthless jobs, and we had a good deal of time hanging on our hands, and surreptitiously we used to play bridge. I had some feeling that because I was going to the University I wasn’t given the office work that would have been most useful, so the main training had to be from outside the office.

Most training then was done by postal courses, which apprentices had to tackle when they came home tired after a day’s work. But the Edinburgh Society of Accountants did organise some formal teaching. We were sent to evening classes in book-keeping at Heriot-Watt. They were pretty poor, and I failed to understand elementary book-keeping (although I was adept at charge and discharge) until I prepared, after two years, for the intermediate examination. And the Society provided evening classes in its own office. They were given I think, by a schoolmaster. They were in arithmetic. We had to learn how to convert shillings and pence into decimals of a pound, and, what was very valuable, interest calculations, which has been the source of much help to me afterwards. The Society also said that we had to go to the University at the end of the five years, to a class in mercantile law, and one in accounting. The mercantile law class was a very poor affair, given by an old, old advocate, who droned on about things that I didn’t understand at all. I didn’t know what a contract was when I went into his class. I thought it was something vaguely to do with building a dam. He started telling us whether the post office was to be considered as the agent of the sender of the letter or the recipient, and from there he went on to some company law.
The accounting course was pretty good. It suffered from the fact that it was intended both for BCom students, who knew no accounting, and the apprentices who, at the end of their five years, knew quite a lot about accounting. The latter group then grew a bit restless, and tended to skip the lectures. Annan was the lecturer, and he was a most conscientious, careful little man, for whom I had great respect. He used to lecture by giving out duplicated sheets of typescript, and in the first term he went through ordinary book-keeping; things like branch accounts. In the second term he did income tax and cost accounting, and in the third term he went on to trust accounts and reconstructions and the semi-legal aspects of accounting. He had taken a course in law when he was young, and he was very thorough and meticulous in going through the various Acts and other regulations for that part of the work. So it was a pretty good course, considering the difficulties and the limits.

What strikes one looking back, was how unquestioning one was about the whole thing. One stood in awe of it. It never occurred to us to ask are there any problems? Here was a great volume of professional work run by a pretty distinguished looking body of men, and we were reverent about it. This was partly because the teaching included very little of the work that now seems important, at any rate to accounting theorists; that is to say, the nature of income and the valuation of assets and so on. There was nothing of that, and that is the area, I think, where there is most fun, and most scope for controversy.

In 1929 I sat my finals, and duly passed, and then the question was what to do next. The usual course for all bright apprentices was to go off to London, and there they were taken on by the big firms at £250 a year, which seemed to us a great bounty. I remember when one of the young men came back and looked into the office, I politely hinted that he must be very well off now, and he shook his head and said:

_You know Baxter, money doesn’t go so far now. Now take Saturday afternoon - you leave the office and you have to have lunch, and you_
pay to go out to the rugby ground and after playing you have a drink
and then you pay to go back to town, and then there’s dinner and
then you go to a show, and then you have to go by train home again.
And you know, there’s not much change left out of five shillings.

So the £ stretched a long way then. One aside that is perhaps
worthwhile mentioning is that I had trained in my five years with
another lad, who was a very conscientious, hard working chap, who
played rugby. He progressed smoothly through the process and then just
before the finals he said “I’m not going to take them”. So I accepted
that. And then two or three months later when I went back to the
office I asked about him and was told that he was dead. In those days,
tuberculosis was a pretty vigorous enemy.

Well, anyway, I went to Annan as a friend and said would he like
to give me an introduction to a London office, and he said:

Hmm, well, I daresay. Don’t you think you might try to get some
experience in Edinburgh. Would you like to come to my office?

That was Graham, Smart and Annan, a grand office in Charlotte
Square. So, I jumped at that, and duly went and got £150 a year,
which as I was living at home, wasn’t at all bad. And I also took to
teaching an evening class in Leith, and so earned some extra money.
My recreations were tennis, and I also went to a very good fencing
school held in a room in George Street, though I never became a
fencer of any distinction.

It was a great change going into Graham, Smart and Annan. Instead
of the work being boring and dull, it now became very interesting and
somewhat worrying in that it was difficult, and one had to tackle it.
I had one brief spark of glory as an auditor. We acted for Crawfords
the biscuit people, and I wasn’t on the audit, but for some reason a
partner said to me “Baxter, here’s the stock sheets, just look through them
and see if you think they’re all right”. Well what do you do with 20 or
30 pages of stock sheets saying that there was x pounds of this type of
sugar at £y per sack, or something of that sort? So I gazed blankly at it and wandered through it, but on the last page, I came to the stock of tins that they pack the biscuits in and it said, so many tins valued at so much per gross. And by a happy stroke of luck I was suddenly struck by the fact that the amount extended was very, very big, and thinking about it, it occurred to me that they had valued them not at £x per gross, but at £x per tin. I was able to make a modest little note about this and hand it in, and I found that this caused quite a flutter. I also, on my own initiative, took to helping Annan. One thing I did, which was of some interest, was related to the fact that he didn’t lecture on consolidated accounts. I think that they were introduced as standard practice earlier by Standard Oil in New York, about 1920 and by De Paula for Dunlop in Britain in 1930, but they hadn’t percolated down to universities. So I drew up some specimen examples for Annan, and they were duplicated and became part of his lecturing material. And also - this is perhaps good luck as it turned out - I gave him a summary of what I thought was wrong with the BCom, that there should be two accounting classes, one for the students who had done no accounting, and one for ones who were in their fifth year, and there should be fewer scrappy half courses, and some longer ones, particularly in Economics. So he duly thought about these, and seemed pleased with my efforts.

One day he said to me, “I was at the University at a Senate meeting, and there was a notice up about scholarships to go to America. You go and get an application form and apply”.

**First visit to the US**

Well, this was pretty staggering, you know. In those days, America was very remote and the idea of going for two years full time to a good university just seemed too marvellous. So I went up to the university office and picked up a form from the Commonwealth Fund, which said there were 40 scholarships a year going for a two year visit and
the average remuneration would work out at about £600 a year. With great good luck I managed to get one of these, so in September of 1931 I found myself on a liner from Liverpool, and that was a great experience. There were about two dozen other young people. We were travelling first class, and it was splendid meeting all these young men and women and learning about their subjects and plans. The Commonwealth Fund was a kind of fairy godmother - they had a staff who looked after us carefully and they gave us travelling allowances and that sort of thing.

Now, I had said as a subject of study in my application, that I was interested in the fact that what accountants did and what economics textbooks said were done by a business seemed to be two diverging paths, and that it should be possible to explore the differences in their approaches to costing and so forth. But, the more I thought about this high sounding proposal, the more I trembled and the more difficult I thought it would be, particularly because I was very shy about writing, and because my knowledge of economics was so minimal. So in a way it was like approaching one’s doom as one got to one’s destination, the University of Pennsylvania, and one was instructed to go and see such and such a professor who was an authority on cost and business. So I was duly shown in, trembling, to his room, and the professor said: “Mr Baxter, we know people don’t come across the Atlantic unless they’re pretty sure of what they’re going to do, so I won’t ask you any questions about it”, and that was that, and I didn’t have much more to do with him. I tried to learn economics, but when I asked about a teacher, they said: “well the Professor of Economics has unfortunately had to go into a mental home, so we haven’t anyone to replace him”. This was in a university with about 20,000 students. Later on, I asked about a course on American Economic History and I was told that they didn’t have such a course. So my impression was that although they were doing a splendid job in giving basic education to large numbers of rather badly schooled students, there wasn’t much of a stimulating character for graduates.
The one exception was a course in Statistics, which was given by a man called Simon Kuznets who later got a Nobel Prize. I went to it, and it certainly was excellent.

But I was philosophical about this. After all, the purpose of the scholarship was to let us know about America and I decided I would study America as much as I could, and I went about travelling and met many people. The Philadelphia folk were amazingly hospitable and friendly. Lots of them went to great lengths to entertain foreign students which was most impressive. This was the depths of the depression and I remember one family I visited said there wasn’t a single house in the street where the people hadn’t defaulted on their mortgage. A shy young woman in the class, who I knew had been in prison for taking part in a trade union demonstration, said to me, “If you are a visitor here, perhaps you ought to come and see my aunts. They’re worth a visit”. So we went out one summer evening, and it was like approaching Versailles. We sat on a terrace with several butlers, and two old ladies entertained us and they said, “… you know the gardens are 120 acres and before the depression we had 70 gardeners, but we’ve had to reduce the staff now a good deal”.

In the spring holiday I had an introduction to the Professor of Business History at Harvard, Norman Gras, who I had been told was a medieval scholar of some standing. I went to see him, and very pleasant he was. He had two nice ladies a little older than I who were doing research. They let me stay there for a week or two and it was a very happy atmosphere. It was so welcome to me because after thinking for weeks and weeks about how to write an article, I suddenly found I could do it with ease. They presented me with the accounts of a 16th century Italian firm and it was very easy for me to trace the doings, and the queer arrangements for dissolving the firm that they had, and I did write an article. It was published in The Accountants’ Magazine in Edinburgh.
This seemed such a splendid start that I went to Gras and said “Look could I come here next year?”, and he said “Yes, yes, you can work on the Hancock material”. Well, I’m ashamed to say I hadn’t the slightest idea who the Hancocks were. Every American child knows that John Hancock was the chairman of the group that wrote the Declaration of Independence, and he wrote “John Hancock” in big letters so that George III could read it without his spectacles. He was an astute politician, but the business had been founded by his Uncle Tom, who built up a big trade in Boston and bequeathed it to his nephew John, who carried on the business, and was over ambitious and made rather a mess of it. So here was a promising subject, and I went to the Commonwealth Fund, and said I would like to transfer to Harvard. “Well”, they said, “this is a difficult matter. You know the Fund only has four of its scholars per year at any university – we like to disperse them. But”, the official said brightly, “there are ways round this. There are lots of universities in Boston. Go to another one and then spend all of your time at Harvard”. So I was immensely relieved, and got out the catalogue of the Massachusetts Institute of Technology and saw there were all sorts of courses in structural engineering and so on which were utterly unsuitable for me. But turning over the pages at the end, I came to French, and with a course in French behind me at the University of Edinburgh, I thought that looked to be suitable. So in the Autumn I registered for French 4, and two hours a week, I think, we spent reading about the Renaissance in France and Italy. It was all very pleasant and I went from there to Harvard.

Before Harvard started, we had a trip round America. Four young British students went together – it was a wonderful experience. The other fellows were very, very friendly and stimulating, good scholars, and seeing America like that was a splendid experience.

Harvard was very hard work. Quite unlike Pennsylvania. There were 50 cases of Hancock documents all lovingly plastered together with some fine linen that they use for restoring these papers. And there
were ledgers and so on. So I worked late into the night, and it took some time to get used to the writing, to realise that things like “DD” meant delivered and “BB” meant barrelled. And one found that one was looking at a rather strange new world. The accounts were very scrappy. The idea that the early merchants prospered because they used double entry was obviously nonsense. These accounts were no use at all as guides to business policy. They seldom if ever reached the stage of a profit and loss account. They were mainly records of dealing with other people. The queer thing was that whereas nowadays, the people you deal with are either your creditors or your debtors, these were people who you had a two-way trade with, and from this, and from reading about the money supply at the time, it dawned on me that there was an acute shortage of money. There was hardly any cash; only sporadic issues of government notes and there were no banks. So trade was being run on a barter basis. It might be simple. You buy from A and you sell to A. It might be much more complicated. You had elaborate transfers of barrels of pork and so on, some of the transactions were so complicated I couldn’t understand them, but I took it to be that they were aimed at ways of settling debt. So this was immensely interesting and stimulating, and I acquired a great number of notes about it.

Return to London

At the end of my two years, I came back to Britain and there was great unemployment. I thought at first I’d get a job as an accountant, but I didn’t want to go back to Edinburgh particularly, and in London the doors were not wide open. I went to one agency for getting accountants jobs, and they were horrified to find I’d taken two years off to study, and thought that this had ruined my chances of ever getting a post. However, there was plenty of work still to be done on the Hancock material. The British Museum had quite a lot of matter, and so had the House of Lords. So I got on with that, and then I
went to the Institute of Historical Research which was a delightful place, with lots of pleasant young students, and I went to the London School of Economics. At Christmas I went to Edinburgh, and my worries about keeping alive were assuaged because Annan told me that he had adopted all the ideas that I had put forward and persuaded the University to re-organise the BCom with the result that there would be a double course in Accounting, and would I like to be a part-time lecturer in charge of the elementary one? Well, of course, I jumped at that, and so I knew that by the following September, I wouldn’t be starving. I went back to London feeling that I had enough savings to tide me over alright.

Now, the LSE was a fine place to go to. I attended some lectures by Hayek, which I think mystified me, and Robbins; and then Arnold Plant, the Professor of Business Administration, had seminars for his third year students. I went to them, and was astonished that these young men were so well grounded in Economics. Each week a student read a paper, and he would talk about the subject, and he’d go to the blackboard and draw diagrams, as if he were a Professor of Economics. Their training had obviously been immensely superior to mine, and Plant had done a wonderful job. He was a very queer man, a rather terrifying, tall chap. He was afraid to put pen to paper; his writing was minimal. But he was a most stimulating teacher, and his kindergarten of bright young men proved to be quite remarkable, and it was a great help to me in my work.

**Return to Edinburgh**

In the Autumn of 1934, I went back to Edinburgh, and with my mother bought a house, and settled down to a new life. Every morning, from 9 to 10, I went to the University and lectured to the elementary students, except in the spring term, where for a time I swapped with Annan, and I lectured to the advanced students in Tax, and he lectured to the elementary students in Costing. Annan and I were the only
members of the staff. He was paid £600 a year, for his part-time work. I don’t think the money influenced him. His firm was immensely prosperous. I think he did it from a genuine desire to improve the education of young accountants. I learnt a lot in that year and the next. One thing was that I found how difficult students discover it to be when they sit examinations, and from giving rather long and searching questions, I simplified and shortened, and shortened, and even then, the students were rushed. That was a valuable experience. For some reason – I think perhaps I’d been given it to review – I had a book by an American called Wade, on accounting, and greatly to my surprise it started with the balance sheet. Thinking it over, this seemed like a very good idea, and so I began the course with the balance sheet, instead of following what I thought was universal practice in Britain, of starting with the cash book and debits and credits of an elementary sort. And this worked pretty well. And I introduced a fair amount of history.

The young chap I shared a room with at the University was a great source of inspiration, Kenneth Boulding, who later became a pretty famous economist. He just overflowed with enthusiasm and energy and vigour, and humour. I still find myself quoting his sayings. Although he was junior to me, he was already getting articles published in economic journals. We used to argue about things like depreciation, and he startled me very much by defining income as an increase in wealth. I wasn’t disposed to dispute that it was, but of course, I’d always approach income through comparisons of revenue and costs, and this was a rather startling idea. Boulding was full of energy. He would do things like building models of St Paul’s. He was an ardent Quaker, and he used to try and spread the pacifist ideas. Altogether, a wonderful friend, whom I stayed on good terms with until he died a year or two ago. At the end of his three year term, the Professor of Economics wouldn’t renew his contract. I think the old man was somewhat overawed by the flood of new economics from Frank Knight.
in Chicago. So Boulding emigrated to the States, and became a pillar of the establishment there. A sad loss to Edinburgh.

I also used to go in the vacations to LSE. The teacher in Accounting was Rowland, and he, like Annan, was grounded in the law, and did a very sound job in straightforward book-keeping, and the legal aspects of accounting. He was very friendly to me, and I respected him. But he wasn’t on good terms with his staff. By this time, Plant had succeeded in getting back some of his brilliant students. There was Ronald Edwards, and there was Ronald Coase and there was Ronald Fowler. They were all Ronalds. Fowler wrote a book about depreciation. Coase (a future Nobel laureate) was in the next few years to begin writing on the theory of the firm, and as an aside, he published in *The Accountant* splendid articles on the nature of cost and accounting. Edwards at the same time published on the nature of income. I’m jumping ahead a little bit when I come to that, but it fits in well. Rowland was in a very difficult position. Edwards had failed in the Accounting exam, and now he was presented to Rowland as his assistant. Moreover, he was publishing this heretical stuff, and it became more I think than poor Rowland could bear, and he foolishly put a letter into *The Accountant* saying that while some young men at LSE may write this sort of stuff, it certainly isn’t part of the basic teaching. It would have been much better if he had looked at it carefully and showed where it agreed with accounting and where it disagreed.

**Cape Town**

Now, I went abroad after two years, for a summer holiday. I went and stayed in the house of a German lady who had cast a spell over me, and in those days, Hitler was selling transport in Germany at knockdown prices. I could go from Hamburg to Southampton on a liner, for £3 I think it was. That was with nice private accommodation, dinner, and breakfast. So I came from Southampton to London, and strolling along Waterloo Station, I suddenly saw a man with a big
placard, “Baxter” written on it. So I went to him, and said “Are you looking for William Baxter”, and he said “Yes, come along and talk to me and we’ll have some coffee together”. So, he introduced himself as a professor from Cape Town, and said they were looking for a part-time professor and Plant said that I was the chap for it. Well, this was a staggering thought, you know. I’d always been led to have a rather disparaging view of the Colonies, and certainly of colonial universities. And I felt very diffident about a Chair in one of them. However, after talking it over, and finding out more about the place and being told of all the attractions, I decided to apply. It was duly arranged that at the start of 1937, I should sail to Cape Town and take on this job. And it proved to be a wise move.

Life in South Africa was very pleasant. The sunshine, the scenery, easy social occasions. Of course there was always looming in the background the horrible doubts about how the country was going to develop, and I was greatly grieved by the way that some whites treated the blacks. But life at the university was pleasant enough. The department consisted of me and a part-time lecturer who came from a technical college, and did the elementary work. A year later, with great generosity, they made me full-time, and my salary was raised from £600 to £900 which was pretty good for a bachelor. The work was challenging in that the students were so much less mature than the Edinburgh ones. They came to university about the age of 16 or so, after much less schooling, and it took me a long time to give up my ideas of running the thing in a highbrow way, and realise that my job was to start as an elementary teacher. I had to get a technique of rubbing into these immature young folk the basic facts of accounting. I followed the same procedure as when I was in Edinburgh, starting with a balance sheet, and I brought in a lot of compound interest and so on.

There were three years of accounting. The first two were compulsory for commerce students, the third was for those who took
the accounting option, and it was fortified by lectures from outsiders on estate accounts, income tax and so on. It was a pretty good course, once I’d got it going properly. I should say in passing, as another comment on developments at the time, that one of the things I found had been taught there by my part-time predecessor was Standard Costing, which I’d hardly heard of, so I had to mug it up, and became an expert on this.

The great pleasure of living in South Africa for me was mountaineering. We used to go every Sunday up Table Mountain, and spend holidays camping. The students and staff formed pleasant enough groups, and they were very good to me, with fatherly and motherly ways of looking after me and my inexperienced ways of trying to climb rocks. I never got very good at it, but it was a valuable recreation.

Now the interesting thing was what I learned from colleagues. In a way, the University of Cape Town was an offshoot of British schools. The professors were almost all Scottish, and the way the degrees were organised was based on Scotland, and the BCom was largely based on the London School of Economics. The most influential colleague was W H Hutt, who taught a subject called Commerce, which was really Applied Economics. He was a fervent believer in an extreme doctrine of laissez faire. For example, he was very hostile to trade unions, which so far I’d always thought of as rather useful bodies. And he was a very, very strong arguer. He could out-argue people far better trained than I was. And everywhere he went he advocated the doctrines of extreme liberalism. In a way it was a sort of over-kill of argument because I think that once most people had heard him, although they couldn’t see what was wrong with his case, they decided quietly that they couldn’t accept it. He wasn’t much good on accounting, but he was certainly a tremendous stimulus. The other person was a lecturer, a quiet, young chap, George Thirlby, trained by Plant. He took an interest in the views of accountants on economic problems, and in way, for a whole year, he constituted himself a kind of tutor for me. I was made to try
and defend things like allocating oncost and writing off depreciation and historical cost, and so on, and it became impossible for me to go on accepting the accounting doctrines. I had to modify my outlook, and though I don’t know that I reached any startling new conclusions, I certainly think I was able to lecture much better and to introduce ideas of marginal cost and so on, which were not the familiar fare of accounting courses and I found time to finish *The House of Hancock - Business in Boston, 1724-75*. It was published by the Harvard University Press, and sold not badly.

On my first Christmas in South Africa, I sailed back to Britain, and on the way back I got hold of Bonbright’s “Valuation of Property”, and Thirlby and I read it. This too had a splendid effect on my thinking and teaching, and it was altogether an outstanding contribution. Unfortunately, Thirlby, who was not of the most sound mental or emotional stature, at this time took a dislike to me, and his coaching came to an end.

Well, I stayed at Cape Town for ten years, and I married and had two delightful children, and was resigned to staying there forever when Plant wrote out and said that Rowland had died and I’d better come back and take over his job.

**Professor of Accounting at the LSE**

So, I duly applied for a Professorship at LSE. I think there had been no other full-time professors in England. There were two part-time professors in Scotland, and my appointment at LSE in 1947 was first equal with an appointment at Birmingham of Donald Cousins. It was a tremendous pleasure to be at LSE. One felt the place had great prestige, and one was surrounded by famous people, like Robbins, and Laski and Hayek. The work after Rowland’s death had been done on a part-time basis by David Solomons and he and I were, for the first year or so, the only staff, but in those days LSE had plenty of funds for making appointments and in due course, Harold Edey and then
Jack Kitchen joined the group. And of course, there were any other number of contacts with other bright young people, notably Edwards and Coase.

The American economist, Buchanan, wrote in a book called *LSE Essays on Cost*,

*The London economists did not themselves fully appreciate the uniqueness and originality of their approach. They looked on themselves as writing down what everyone knew about. The basic idea is at once extremely simple and profound. Cost is inherently linked to choice.*

These ideas then, from conversation and from the writings of Thirlby, seeped into accounting and we staff were immensely impressed by them. We didn’t write much. I think we were a little overawed and tongue-tied, and didn’t quite know how to begin. My own remedy was to publish the book, *Studies in Accounting*, which was a collection of good writings by other people, something that, in those days, was unique and it had a very gratifying reception, and sold many thousands of copies. From Sao Paolo to Singapore, I’ve met people who’ve acclaimed me as the editor of that book; whether they read it or merely put it on the shelves, I don’t know.

I was also helped by Philip Bell, from the US, on Edwards and Bell’s book on income. He came to LSE and was attached to the Department of Monetary Economics, but he didn’t seem to get on very well there. He was grateful when the accountants took him under their wing, and encouraged him to talk, and he did a great deal to help my ideas, in something that had been troubling me since pre-war days, which was inflation accounting. He was a very good economist, and very willing to talk about our problems.

I had written to James Bonbright, and one day he wrote and said he was coming to London, and would like to meet me, and he’d be sitting at lunch time on such and such a day in the Savoy Hotel,
and I’d know him because he’d have a flower in his buttonhole. So I duly went at that time to the Savoy Hotel, and there was a man who had no flower in his buttonhole but was unmistakably Bonbright, a fatherly, distinguished looking old chap. We got very friendly, and his wife was a most pleasant and hospitable person, still alive today. Both on such visits, and when I went to New York, he and I were very close. His ideas of valuation were extremely useful - the notion that to define value you should compare a person’s position with the asset and without it, which I called deprival value, and the English Institute called value to the business.

I began to write on various topics. One of them was the share of no par value. That I think came to mind because of one’s thoughts about valuation, and the absurdity of putting a label on a share as if it were something that was guaranteed by the name; this caused immense confusion to non-accountants. One set of ideas I’m half amused at and half ashamed of now, was connected with the nature of standards. I, unlike most other academics, liked to go and listen to the lectures of colleagues, and one set that I went to with great pleasure were those of Karl Popper, the philosopher, and of course, he was the great proponent of the idea that principles are never cast iron, there must always be questions and the best you could say about any principle was that so far it hadn’t been refuted by experiment etc. And this made me very hostile to the cut and dried pronouncements that were coming from the English Institute under the title of “Recommendations”. It seemed to me that if we were going to try to investigate a subject, we mustn’t put down the matter as if there was no possibility of mistake or questioning. I wrote an article to that effect, which aroused a good deal of derision among accountants. Of course, over time, one has had to admit that standards have been extremely valuable. They have led to an enormous improvement in published accounting, and to decry them, in many ways, was rather a mistake. But, I still feel that for every good thing there may be a cost and that the wholesale use of standards
has led to the abdication from judgment of the profession, and teaching has been relying on these cut and dried rules, rather than questioning about what should be done to solve any particular problem.

I also moved on to ideas about depreciation, I think as one part of the whole question of valuing assets. It seemed to me to be so interesting and so important that I set to work and wrote a book on it. Every week, as it was progressing, I had a meeting with all my young colleagues, and they tore it to pieces and made a great many improvements. In the end it was published in 1971, and I think has now been universally forgotten. But it was a valuable development for me and it was useful for sharpening up my use of compound interest. Then I kept on with inflation, and after many delays with the publisher, produced a book in 1975. By then, of course, inflation was over, so the book was a bit of a flop, but at any rate it had given me some pleasant and useful intellectual exercise while it was being written.

I went for a year to Columbia University, largely thanks to Bonbright’s good offices, and had a happy time there. One of the people I met, a very respected figure, was Henry Sweeney, who had written the first good book on inflation accounting. The meeting with him was fun. He came in looking a bit bemused. He was a part-time lecturer and he told me he’d been up all night trying to entertain a client and he wasn’t feeling at his best. So, we went out to lunch together and the poor chap really was very bleary. I tried to get him on to his great contributions in the inflation book, and, you know, the queer thing was that he’d forgotten what he’d said and he no longer could discuss any of it.

To complete the picture of the staffing at LSE, I should also mention that we had quite a large number of part-time teachers. I used to encourage former students when they were in articles to get their firms’ permission to come along early on Monday and do an hour’s class teaching, which was good practice for them, and enabled me to keep in touch with bright, young people.
Now, when I describe the teaching innovations at LSE they will probably sound not worth mentioning, because I imagine that they are standard now, but you must look back to a time when the typical course in accounting began with the petty cash book and went on to drill in debits and credits and told one how to draw up consignment accounts, and branch accounts and joint venture accounts. My lectures always began with a balance sheet, with just a little suggestion of how double entry might affect two bits of the balance sheet, and then they went on to the income statement, and to introduce the ideas of income, and so on, and only at that stage did it proceed to fairly detailed drilling in debit and credit.

Now, also, I introduced a little about finance, and that meant that we had to use compound interest. You must remember that at that stage, the English Institute examinations had no mention of compound interest, and I doubt if most practitioners were able to think in terms of present values and so on. A little later, I was able to persuade colleagues in the Mathematics Department, to start a course giving students the relevant mathematics, and before long they were much more able in that field than I was.

I suppose you might say that the great stress was on value and income and we must have been influenced by J R Hicks’ book on value. The spirit is indicated in the question: what difference does it make? ie the marginal approach of the economist. For example, that could be applied to costing, and the distinction between marginal cost and average cost. I always have some feeling that the accounting profession is being slightly dishonest in this great field of management accounting because it relies so much on various forms of average cost, and splitting up of fixed cost isn’t likely to give very much useful information. I also introduced ideas of inflation. Inflation had impressed me of course during the First World War, and then in the 20s, when there was the German inflation, and I remember too, how there had been inflation in 18th century Massachusetts. I remember
the first article I read about inflation accounting, somewhere in the 30s. I was writing a review on a book, and I concluded rather sourly that if every accountant had a PhD in Mathematics, something of this sort could be attempted, but in the meantime it was quite impracticable. No doubt, from the standpoint of society, the disappearance of inflation was an immense benefit, but from the standpoint of teaching it is rather regrettable, because to understand the various analyses needed in inflation accounting, one had to sharpen one’s wits, and think very carefully about all the figures. I also introduced the business game, from my experience in Columbia. Now I think they use it with the computer, but I did it much more simply.

One change that took place in the 60s was that we began to develop an MSc for graduates, and this had a trickle of very good people, like Susan Dev and Bryan Carsberg. This has, of course, since become very important.

In those days my thoughts were mainly on teaching and administration, but one was expected to do some writing. Nowadays the poor wretches in the academic world are under immense pressure to do writing, so that they churn out articles fairly fast. As I said earlier, both my colleagues and I had great difficulty in starting to write about accounting subjects. I think we were overawed by the immense prestige of practice, and felt diffident about criticising it, and to some extent we didn’t know where to begin. We had ideas derived from economists, but how were we to spin them out, and make a coherent attack on accounting? My output was very slow. I think it was rather less than one article a year, though of course there were a lot of years. Solomons struck a good line with the history of costing, and Edey wrote an introduction to accounting that was very useful. But we certainly didn’t do anything very distinguished, and, what we did do, was the result of a pretty slow process. I suppose in my case it culminated in 1971, with the book about depreciation, which involved
a lot of thinking on my part, and really epitomized a great deal of what I was thinking about in the way of deprival value.

**Academic Accounting and the Accounting Profession**

One topic which deserves passing reference was the Association of University Teachers of Accounting. I had noticed that there was a vigorous body called the Association of University Teachers of Economics, and it struck me that we might have a similar one linking up all the teachers of accounting at the different universities. This idea was seized on eagerly by the other teachers, and we had an annual meeting. I don’t think it was in the least intellectually stimulating, but it was a jolly occasion and it may have been good for our spirits.

Now, one topic that was fairly high in our thoughts in those days was our relations with the profession. Here of course one must distinguish between what went on north of the border and south of the border. Perhaps because in Scotland there was a university in every town, the accountants didn’t think of academics as being such queer animals, whereas of course in England until the middle of the 19th century, academic work was regarded as a companion to hay making and was all done in Oxbridge. The Scottish Institute, as I said when I was describing my own training, did provide classes for us, and in the post war period it introduced a system whereby all articled clerks had to go and have a year off from their office to take three courses at a university. So there were good relations between the profession and the universities. South of the border, this was not true. The English Institute was very hostile and philistine. When I started at the LSE, I was treated with great friendship by the Society of Accountants, by the certified accountants, and by the cost accountants, but I was completely ignored by the English Institute. This attitude showed itself in various ways. You must remember that auditors were split in those days between the Institute and the Society. I’m exaggerating when I say that the Institute was in the south east of England, its members
were conservative and Church of England, while the Society members were north west and were non-conformist and liberals, but there was a certain truth in this idea. Anyway, the Society produced a magazine called *Accounting Research*, and this published fairly respectable articles, I think quarterly. When the Society and the Institute combined, the Institute found itself in the embarrassing position of having to publish a journal devoted to principles and theory. This was something they couldn’t tolerate, and so they suppressed *Accounting Research*. I may say that on one occasion I submitted an article to the Editor, quite a sensible article I think about the effects on inflation on a partnership, and the Editor gave it to a chartered accountant to vet and it came back with scribbles at the end “*We don’t need these chaps to teach us our job*”. The article was then published in the Scottish *Accountant’s Magazine*, which had a very friendly editor.

Then there was the Leake bequest. P D Leake was a man who had written with unusual enlightenment on goodwill and depreciation. I think he was a bachelor and he left a substantial fortune to trustees, who were mainly the Institute, to encourage accounting education. The last thing the Institute wanted to do was to spend money on encouraging research at a university, and so it was in something of a quandary, but the dons at Cambridge University were very diplomatic. They invited the committee concerned, and I suppose wined and dined them well, and sprang upon them the idea that the money should be used to fund a chair in social accounting, and this seemed a splendid idea, a splendid solution to the problem, because it was accounting and had nothing to do with accounting as normally we practised. So the money went to Cambridge, and of course, a very able economist was appointed to the Chair, and did an excellent job, but I don’t think that work is what Leake would have approved of, and there was, it seemed to me, a great opportunity wasted.

Now, there was one link between the profession and the universities. Just before the war, something called The Joint Scheme had been started.
It was mainly I think the brainchild of a man called Bertram Nelson, who was a Liverpool accountant, and hadn’t got a degree himself, but nevertheless, was a great believer in higher education, and was a quietly persistent person, who usually managed to get his way. The scheme meant that various universities agreed to give courses in which there would be subjects suitable for the future accountant. After the war, this scheme went ahead, but there were very few students who took advantage of it. LSE had the necessary courses, but I think there were only something like two dozen students taking the three years of it, and it was by far the biggest of the participants. We used to have an annual meeting in an Oxford college which was great fun. In each town there was a supervising committee with a member from the Institute, and one from the Society and one from the Certified body. These meetings weren’t really of any great importance, and the scheme gradually evaporated.

Increasingly from the 50s onwards there was lively debate about what was the best way to train an accountant. The overwhelming number of entrants into the profession went at 16 or 18, and had received no formal teaching at all. They learned at the job, and from correspondence courses. There was some criticism of this. Notably when David Solomons was made the professor at Bristol in 1955, he delivered a very telling address in which he compared accounting training with that given to lawyers and doctors, very much to the disadvantage of accounting. This infuriated many members of the profession and there was, I think, lively correspondence in *The Accountant*. The question didn’t go away, though I can recall various meetings at which opinions were exchanged, with members of the old guard of the Institute getting rather angry and emotional about it. Then, early in the 60s matters reached such a point that the Institute set up a Commission to consider education and, as its members were old guard conservatives, not unnaturally it concluded that the traditional method was the best one. It is an interesting commentary on human
affairs that the ink on this report had hardly dried when the Walls of Jericho collapsed, and there was an obvious swingover to the university method of entry.

Now, more and more recruits came into the profession by that route. It's interesting to ask why there was such eagerness all at once by the profession. I don’t suppose there was any difference in the supply of new recruits. They had been coming in the past, paying a premium if anything, and now they were getting paid. I think it must have been that there was a great increase in the demand for good people, and that in turn reflected the great increase in the demand for accounting services, and the high fees that the auditing firms were receiving. Further, of course, the subject was getting far more complex. I would say that up until about 1960, if you’d asked a competent lecturer in accounting to lecture on any aspect of the subject, he could have done so at the drop of a hat. But after the 1960s, that ceased to be true. Things like company law, notably tax law, and above all the computer, meant that nobody could be an all-round expert. The subject was split up into different disciplines both from the standpoint of learning and of teaching. No partner in a firm could any longer pretend that he was able to give a sound introduction to his clerks, on all aspects of the work. In such an environment, there were obvious advantages in recruiting people who were good at passing examinations and who had had some sort of introduction to the various aspects of the subject.

One ought to note in passing the influence of Arthur Andersen, that up and coming American innovator. They brought over American ideas which took it for granted that every trainee had been to a university and also that he deserved a good rate of pay. And, as Arthur Andersen was making great strides as a firm, the other firms could not but notice. The pay rates rose considerably.

Another change was that women began to get jobs. Up to this stage accounting hadn’t been thought of as very suitable for women. Although I’ve always had women in my classes, I think I should have,
as a young man, been a bit embarrassed if there had been women working alongside me at work. An office room was regarded as a jolly club where we exchanged indecent stories and swore obscenely when things went wrong, and it would have been a great constraint if there had been women there. Then of course there had been no girls at school, so one viewed them rather as unfamiliar objects. But that was beginning to change. I remember a Chinese girl coming to me and saying she thought she would like articles, and I was very embarrassed. I thought I must warn her that women had difficulty in getting articles, and a Chinese would have even greater difficulty. But before long she came to see me and said she’d been to Price Waterhouse and they had offered her a job. She told them she wasn’t very keen on accepting, because she thought she ought to go to New York, and practice there, and they said they thought that would be OK. If she joined their London office, they’d send her to the New York office. This was indicative of an enormous change in attitude.

The LSE had a good staff of lecturers, and I was lucky in being able to add to them. I mentioned the part timers. When they qualified, I usually tried to arrange for them to go to an American University, remembering how Annan had helped me, and many of them did. When they came back, they were usually pretty well imbued with the pleasures of academic life, and I could persuade them to join the staff. So, we had a very good team. Thus, when the general increase of the teaching of accounting took place, here was a supply of recruits for all the chairs in Britain, and sure enough, men like Solomons and Carsberg, and John Flower, and later Whittington went out and they peopled the chairs from Dundee down to Southampton with LSE graduates. This I suspect caused a certain amount of resentment, and there were mutters about the “LSE Mafia.” In time, of course, the former students also became important in the profession, they became partners, they held jobs in the Institute, and the attitude towards academic work changed completely.
The department has in recent years been shown great friendship and been helped financially, and otherwise, by the profession.

This increase in teaching has meant an increase in the number of journals devoted to accounting theory. I believe there are now over 50 such journals in English, and of course it’s quite impossible to keep in touch with them. I’m somewhat sour about the journals. If a lecturer is forced to write, he really has two ways of doing it. He can get hold of a problem that’s amenable to a statistical study and he can churn out the figures. The result is usually of no great significance, and the articles are certainly not very readable. The other way is to build up a kind of philosophy of accounting, and this side has developed greatly. I’m sure it demands high intelligence, and much study, but I have an uneasy feeling that the results don’t really contribute much to the work of a practising accountant and indeed would be unintelligible to most practising accountants. However, when I say this I must remember that probably my work in the early 1950s would have seemed equally remote and incomprehensible to practising accountants, so maybe this attitude I have now is merely a reflection of increasing crustiness in old age.

I should perhaps mention in passing, the Journal of Accounting Research. Sidney Davidson wanted to start a replacement for Accounting Research, so he wrote to the Institute and said would they let him take over the name. He got a reply saying, no, certainly not; the Institute was adopting a dog in the manger attitude. So, he then started the Journal of Accounting Research, and he wanted it to be a joint affair between the University of Chicago and the LSE, and there took place an imposing meeting between the Dean of Chicago University and the Director of the LSE. The latter had been the Governor of Malaysia and the former had been, I think, the Secretary of State, so it was high powered stuff. It was agreed that there should be this joint journal on the understanding of course that the LSE didn’t have to pay anything, and I believe that the journal was paid for by one of the big accounting firms in Chicago.
Well, as I said, in the 50’s there were practically no full-time teachers of accounting, and the supply of articles was extremely limited. Perhaps I wasn’t a very vigorous or efficient drummer-up of articles. At any rate, the thing became a purely Chicago affair, and gradually the LSE dropped out of the picture.

**Retirement**

I had to retire in 1973. My wife had died, and I now married a Finnish woman – a wonderful person. I suddenly received a surprising number of requests to go and give lectures in foreign parts. My wife was enthusiastic, and in a few years we’d visited all the continents except Antarctica and had a very pleasant and interesting time. The most colourful was a trip round South America. Some benefactor gave the LSE £½ million to study South America and it was all split up among good causes. £5,000 was left unused, and Harold Edey suggested that it should be offered to me to go and study inflation accounting in these countries. I was very taken aback by this, and thought that I knew nothing much about the theory of inflation and so on. I came and told my wife about it and she said “well, of course we must go, it will be a most interesting experience”. So we agreed to go, and we set about learning Spanish, she with some fluency, and I with less.

We had a five month trip round the main countries in South America. In Brazil, inflation accounting at that stage was at a pretty advanced stage, because it had been introduced by the Government, advised by economists. In Argentina, also with acute inflation, it was making no progress at all and the reason was very simple - Argentine directors were mainly paid a percentage of profit, and they weren’t going to stomach a system of accounting which cut down the profit figures. The time in Chile was very worrying and interesting. This was just after the rebellion which overwhelmed the communist government, and from outside everybody regards the rebellious Pinochet government as a cruel and oppressive one. The queer thing
was that on the spot, everybody we met was enthusiastic about it, and
overlooked its misdeeds because they had been so worried and had
suffered so much under the previous government, and were delighted
at the thought of some stability and the restoration of the *status quo*.

The other main travel was to New York where for two separate
years I was at the City College of New York. It was good fun. It wasn’t
very intellectually stimulating. I am apt to look on British education
and American education rather like a comparison of a Rolls Royce
with an old Ford. But that is overlooking the fact that as a means of
mass transportation, the Rolls Royce isn’t much good. Americans are
tackling the job of educating very great numbers of people who are
low on the social scale, are desperately keen to learn, who pay very high
fees, and who have somehow to be put through *en masse*. It seems to
me that in that context they’re doing a pretty good job.

Also in retirement I have had time to think more about various
problems that have worried me. I suppose one notion that has been
increasingly fruitful is Adam Smith’s distinction between market value
and value in use, which can be interpreted in accounting as financial
accounting and perhaps management accounting. There will, it seems
to me, be much confusion if financial accounting starts to show assets
at value in use. One example would be brand names, which I take it
can be valued only by guessing what a particular firm will earn from
its brands and so you have a cuckoo in the nest, which I think is very
incongruous. I think it’s shattering to principles. Then, my feelings
have leaned more and more towards the importance, particularly for
value in use, of future replacement costs, and my depreciation book
reflects the view that depreciation is the coming nearer of the long
run outlays that will take place when an existing asset comes to the
end of its life.

I kept on trying to sort out my ideas about inflation and I think
in the end got them tolerably clear, and was able to publish the book
in 1975, with another edition in 1984. Then the Garland Press very
kindly published photostat copies of two volumes of my articles. I was able to indulge in my interest in history too. There were various topics I had touched on when I was teaching, but in a confused way and never understanding them. Now, I was able to get my teeth into them and obtain fairly clear pictures. One was of the tally. How did the medieval merchant in a credit economy carry on when he couldn’t write and he hadn’t any paper? The answer is that he did it by cutting notches in white sticks, and of course his counting was done with the abacus. The other problem was that of McKesson and Robbins - the wonderful fraud in the 1930s, conducted by the ex-criminal, Dr Donald Coster, who was a most remarkable man and built up a very solid and prosperous trade in pharmaceuticals in the US and a purely imaginary one in Canada.

Looking back on it all, I feel that with what I’ve picked up in the course of the years, and notably since I retired, I could have been a much better teacher if I’d been starting afresh. But it’s been a happy life, and it’s been very good fun.

Endnotes:

1 The appointment, together with other material relating to Baxter’s time in Edinburgh, is recorded in the history of the Department of Accounting and Business Method (Walker, 1994).
3 David Solomons and Harold Edey also made important contributions to the early work of the AUTA (Zeff, 1997, p.29) and to the development of research ideas (Whittington, 1994).
5 Parker (1997) p.51 cites further examples.
A notable example was Philip Bell, who subsequently became the co-author of Edwards and Bell (1961), a classic treatise of accounting theory, in the Preface to which Baxter is acknowledged as an “exceptionally helpful” commentator on the manuscript.

The work of Baxter, Edey and Solomons in price change accounting is reviewed in Whittington (1994).

References

W T Baxter All work by William Baxter referred to (including co-authored work) is included in the selected list of publications which follows this list of references.


P W Bell


Selected list of publications - Professor W T Baxter


“Daniel Henchman, a Colonial Bookseller,” Essex Institute Historical Collections, January 1934.


“Credit, Bills, and Bookkeeping in a Simple Economy”, Accounting Review, April 1946.


“Recommendations on Accounting Theory”, The Accountant, 10 October, 1953.

(With L C B Gower) Shares of No Par Value, The Incorporated Accountants’ Research Committee, 1954.


“Inflation and the Accounts of Steel Companies”, Accountancy, May and June 1959.


“General or Special Index – Capital Maintenance under Changing Prices,” Journal UEC. No 3, 1967.


* This list, up to 1972, is reproduced, with the permission of the publishers, from Harold Edey and B S Yamey (eds.), Debits, Credits, Finance and Profit, London, Sweet and Maxwell, 1974. An additional reference (the 1948 paper) has been added. The following list of publications from 1975 onwards was supplied by Professor Baxter.


“The accountant’s safe haven is as far away as ever”, *Financial Times*, December 1976.

“Case Studies in South American Business
  1 Argentina
  2 Chile
  3 Brazil
  4 Peru”


“Accountants Still Searching for Reform”, The Times, June 1, 1981.


“Putting a Value on Goodwill”, *The Times*, 7 January 1993.


Interview questions - Professor W T Baxter

1. Biographical

Where were you born?
What is your earliest memory?
How many brothers and sisters did you have?
Did you have brothers and sisters who went into similar professional walks of life?
What did your father do for a living?
Did your mother ever work outside the home?
Tell me something about your early childhood.
When did you move home to Edinburgh?
In a busy life did you have interests outside your career?

2. Education

Where did you go to school?
Tell me something about your experiences at school.
Which subjects did you enjoy most as school?
When did you decide to train as a Chartered Accountant?
What, or who, influenced your decision to train as a Chartered Accountant?
Which firm did you train with, and how was this chosen? 
How many partners did the firm have and what types of client did it serve? 
What kind of work did you perform as an apprentice? 
Tell me about life in your training office. 
Were you paid by the firm? 
How were you trained for examinations? 
What are your recollections of the CA examinations? 
How did you come to take a BCom degree at Edinburgh University? 
What are your recollections of life as an undergraduate? 
What were the most rewarding aspects of your University studies? 
What were your career aspirations when you qualified as a CA? 
What opportunities were there for the newly qualified CA at that time? 
Tell me about your first appointment on leaving your training firm. 

3. First visit to the US

How did you come to apply for, and win, a Commonwealth Fund Fellowship? 
Did you originally intend to spend all of your time at the Wharton School? 
Why did you transfer to Harvard? 
What attracted you to business history? 
Was this regarded as a rather unusual pursuit, especially for an accountant? 
Were you encouraged to take it up? 
What was your impression of academic accounting in the US, at that time?
4. Return to London

Why did you return from the US to London rather than Edinburgh?
How much contact did you have with the LSE at that time?
What were your impressions of the LSE?
Was there anybody at the LSE who particularly influenced your own later work?

5. Edinburgh University

How did you become a lecturer at Edinburgh?
What status did accounting have as an academic discipline in Edinburgh?
Who were the other members of the Department?
Were you full-time, and what was your particular role in the Department?
Was the teaching primarily directed towards the CA curriculum, or were you allowed wider scope?
What was your relationship with ICAS?
What opportunities were you given to do research?
What was your role in the debate about commercial and accounting education and the comparison between the UK and America?
Was your text book on income tax an outcome of your teaching there?

6. Cape Town (1937-47)

What were the main considerations that led you to leave your lectureship in Edinburgh for the Chair at Cape Town?
In what respect was the Department at Cape Town different from that at Edinburgh?
What are your memories of the contrast between living in Scotland and living in Cape Town?
Were you the first full-time Professor of Accounting at Cape Town?
How many academic colleagues in Accounting did you have?
Was research encouraged?
Was accounting taken seriously as an academic discipline, or was it regarded more as a technical training?
What was your relationship with the South African Institute of Chartered Accountants?
What was your impression of the accounting profession in South Africa at this time?

7. LSE (1947 onwards)

What attracted you to the LSE?
Were you the first full-time Professor of Accounting there?
Was accounting well established as an academic discipline there?
Who were your colleagues in the early years at LSE?
How was undergraduate teaching affected by the introduction of the joint scheme for professional accreditation of university degrees?
Did you have close relationships with the professional bodies?
In particular, did you have any formal relationship with the ICAEW either in relation to teaching or to research?
How did you view the English accounting profession, in contrast with your earlier experience in Scotland and South Africa?
With regard to research, what new stimulus was provided by the LSE?
Which colleagues, both within Accounting and in other Departments at the LSE, would you regard as providing the greatest stimulus?
A particular feature of your research work at LSE was your interest in inflation accounting and the problems of valuation and depreciation. Can you say something about how these interests developed?
Did you have any contact with overseas scholars whose work related to your own? Examples would be Bonbright and Sweeney and, in a younger age group, Chambers and Bell.

Could you tell me something about your contacts with these individuals?

What visits abroad did you make?

Did these offer any insights into how accounting should develop in universities in the UK?

Can you tell me something about the project on depreciation that was supported in the ICAEW and resulted in your 1971 book?

The development of postgraduate courses was a feature of your later years at LSE. Can you explain the motivation for this, and how it was achieved?

What was your involvement in the development of accounting in other universities in the UK?

What were your views on the early attempts by professional bodies to develop standard practice, as in the ICAEW’s Recommendations?

How did you regard the increasing trend towards standardisation of accounting and auditing practice from the 1960s onwards, culminating in the creation of the ASC and the APC?

How were you involved in the debates on standard-setting in the 1960s and 1970s?

8. Retirement (1973 onwards)

Can you tell me something about your research and writing after your retirement?

Can you describe the gestation of your book on *Accounting Values and Inflation* (1975)?

What did you learn from your research on Latin American inflation accounting?
What is your view of the current state of academic research in accounting?
Do you still hold views expressed in your 1988 ICAS paper?
How do you regard the increasing importance of international accounting standards?
How would you compare the education and training that accountants receive today with that which you received in Edinburgh some seventy years ago?
Could you also compare the modern professional firm with its counterpart seventy years ago?
How has the profession changed?
Could the modern firm learn anything from its predecessor?
Do you think having so few big practices dominating the profession is a good thing?
Do you have any comments on the relationship between academic and non-academic sides of the profession?
Do you have any further observations on the current state of the profession and its future prospects?
David Flint was born in Glasgow on 24 February 1919, one of the three children of David Flint and Agnes Flint. His father was a master grocer and his mother, as was the custom of the time, made the family her whole life. David Flint married Dorothy Jardine on 8 June 1953 at Queens Park High Parish Church, Glasgow. The couple have twin sons, David and Douglas and a daughter, Dorothy. David and Douglas studied at the same faculty as their father, one making a career in law and the other in accountancy, while Dorothy is a doctor. David Flint’s main pastime in life has been golf which he still plays.

David Flint was educated at the High School of Glasgow and at the University of Glasgow. He was a distinguished prize winner at both. At university, amongst a range of subjects, he read economics and law, being awarded an MA in 1939 and a BL, *in absentia* in 1942. David decided upon an accountancy career early on, and entered the Glasgow office of Mann, Judd, Gordon & Co on 14 August 1939. His lifestyle changed dramatically just ten days later when he was mobilised as a Territorial Army Officer and served in the Royal Corps of Signals for seven years. He rose to the rank of major, was mentioned in despatches in 1945 and, after returning to civilian life, was awarded the Territorial Decoration in 1950.

David Flint returned to civilian life at the age of 27 and, although he considered other possibilities, remained attracted to a career in accountancy. He resumed his apprenticeship with Mann, Judd Gordon & Co in 1946. He qualified as a Scottish chartered accountant in 1948,
achieving a distinction in his final examinations. Soon after qualifying, he embarked on research as a part-time PhD student studying *The financial and legal aspects of profit sharing and co-partnership in business enterprises*, but found it necessary to discontinue work on his thesis due to fast growing professional commitments. His progress within one of Britain’s most reputable accountancy practices was extremely rapid and he was admitted to the partnership in 1951. He served Mann, Judd, Gordon & Co for a further 21 years, resigning in the Autumn of 1971 in order “to devote himself to his extensive academic responsibilities and to limit his practice to specialist consultation” (*The Accountant’s Magazine*, November 1971). It was becoming increasingly difficult for Professor Flint to meet his obligations to both his firm and the University of Glasgow and he decided that the latter should be his first priority.

In retrospect, one can see that Professor Flint was always destined for an academic career. On becoming President of The Institute of Chartered Accountants of Scotland in 1975, he made the following insightful comments in an interview with *Accountancy Age*:

*I do not believe in this divorce of the practising accountant from the academic which, perhaps, other people see. I really do not understand why they should be looked upon as two different types of animal.*

*I think it is very important to have relevant experience – albeit that academic work, academic teaching, academic research and academic responsibility require a different approach from practice. I do not think one can have proper academic understanding until one has sufficient practical experience to give it relevance.* (Martin, 1975).

These ideals were reflected in Professor Flint’s career. During the 1950s, while heavily committed to his accounting practice, he found time for appointments as a part-time assistant (1950-56) to the professor of accountancy at the University of Glasgow, and then as a
part-time lecturer, 1956-60. He also made significant contributions to the education and training programme of ICAS. He lectured on “Investigations, Valuations etc” between 1953 and 1956 and served as the assistant examiner in law (1952-54). His commitment to the development of new generations of chartered accountants is further reflected in his appointments as Vice-President of the Glasgow CA Student Society, 1954-56, serving also as its honorary president in 1959-60. Much later, during his term as President of the Institute, he was to serve as a member of its Education Committee (1972-76).

On 1 October 1964, Professor Flint was appointed to succeed Robert Browning in the Johnstone Smith Chair of Accountancy at the University of Glasgow. He would have been due to retire from this 12-year appointment in 1976 but, determined not to lose his services, the University created an additional chair to which he was appointed from 1 October 1975. During the previous 11 years, Professor Flint had played a leading role in stimulating the development of accountancy studies at Glasgow, particularly at undergraduate level by mounting a Bachelor of Accountancy, designing and developing the new degree courses in collaboration mainly with the Departments of Economics and Law. In 1971 he was active in the creation of the Scottish Business School, subsequently serving as a member of its council and the academic executive committee of which he was convenor in 1973. Between 1971-73 he served as Dean of the Faculty of Law. By 1975 Professor Flint had already established a large accountancy department at Glasgow University and thereby created an opportunity to pursue further his vision of an academic school of accountancy in Scotland capable of making a contribution to research on the international stage. His contribution to the University of Glasgow and the profession of Accountancy was marked by the award of the honorary degree of Doctor of the University in 2001.

Professor Flint took up the new chair in the same year that he became President of the Institute with a ‘commitment to the
furtherance of closer co-operation between the universities and the Scots ICA in both education and research’. His vision was that, one-day, this co-operation might mature into the kind of relationship that exists in professions such as medicine (Martin, 1975). As a senior university professor, Professor Flint increasingly took on a number of major academic and administrative responsibilities and, during the latter years of his academic career, was able to exploit his accountancy skills in the service of the university as vice-principal with financial responsibilities 1981–85.

Professor Flint had served ICAS in many capacities before becoming Junior Vice-President, Vice-President and President in successive years commencing 1973–74. In 1975 Professor Flint became the third academic in ten years to head the Institute, following professors Robert Browning (1965–66) and David Anderson (1967–68). Professor Flint did not expect his period of presidency to be one of dramatic change, believing that it ‘would be wrong to suggest that one could make any dramatic change of direction in a body like The Institute of Chartered Accountants of Scotland in any one year. As President one is responsible for the continuation of an ongoing and developing policy’ (Martin, 1975). Professor Flint recognised that he would naturally ‘impose something of one’s own character on the direction which the Institute takes’, but saw himself as a ‘custodian of a continuing policy’ worked out by the council and his predecessors. It was a policy that he had previously played an important part in developing and one which he would continue afterwards to help formulate as, for example, the Convener of the Working Party on Future Policy, 1976–79.

Professor Flint’s Report on *The Impact of Change on the Accountancy Profession* was presented to the ICAS Council in 1979 and was published as a discussion document by the Institute in 1980. The major conclusions and recommendations of the paper embody much of his philosophy:
... the importance of the work of the accountancy profession and the challenges of the impact of change are both such as to require, firstly, in the public interest, that it is clear to members of the public (who use, or who have to rely on, or who are dependent on the quality of the services of the profession) who it is who are the members of the profession, who are subject to regulation, supervision and discipline and of whom certain standards of skill, competence, experience and integrity can be expected, and, secondly, in both the professional and the public interest, that the challenges of the impact of change are faced as a single profession acting in unison. (Flint, 1980, p.1)

The report strongly argued the case for an exclusive and protected designation for members of the accountancy profession, also a common standard of education, training and experience for entrants to the profession, and a common set of standards of competence, conduct and performance for members. The report did not consider it necessary that, in a situation in which there were several accountancy societies, commitment to a unified approach demanded as a prerequisite of achievement the total merger or integration of any of the existing professional societies: the objectives of unification in this sense could be achieved within the existing structure. The report argued that societies should agree on a common philosophy, policy and course of action. Integration was seen as a subordinate issue although it was recognised that some mergers might naturally follow in the fullness of time.

Professor Flint was in demand from time to time to undertake other reviews and investigations.

In 1971, for example, Professor Flint was also called on to prepare a high profile report for Robert Smith, the liquidator of Upper Clyde Shipbuilders. Professor Flint was asked to determine, with reference to the Companies Act, the circumstances in which the directors carried on the business of the company in the period leading up to liquidation. There were also concerns, in some quarters, about the government’s role in this unfortunate episode and the nature and extent of the
responsibility of the government to creditors as a consequence of the government’s involvement (Shackleton, 2000). *The Guardian*, 30 July 1973 (p.15) suggested that those attending the annual meeting of creditors of Upper Clyde Shipbuilders might well find it worthwhile asking some questions based on Professor Flint’s report on the affair.

In 1978, the Secretary of State for Scotland appointed him to the Commission for Local Authority Accounts in Scotland (1978-80).

While on study leave from the University of Glasgow (1979-80) and during his second spell as Convener of the Institute’s Research Advisory Committee (1977-84), Professor Flint undertook a worldwide study trip. He met with academic colleagues, and staffs and members of the professional accountancy bodies and the accountancy research organisations in Australia, Canada and New Zealand. He also met up with staff of the International Federation of Accountants as well as members of the Corporate Affairs Commission, the Securities Commission and the Securities and Exchange Commission respectively in Australia, Canada, New Zealand and the United States. During this period of study leave, Professor Flint presented the New Zealand Society of Accountants Invitation Lecture in Auckland and the University of New South Wales Endowed Lecture in Sydney.

Professor Flint had shown a close interest in the activities of the European Accounting Association. The sixth annual congress of the Association was held in Glasgow in 1983 and he was President of the Association in 1983-84. Professor Flint accepted the following appointments at overseas universities in the 1980s: Guest Professor at the University of Capetown, South Africa, 1980; Guest Professor at Odense University, Denmark 1986 and 1987; and Guest Professor at the Catholic University of Leuven, Belgium in 1986. He was also Honorary Professor of Accountancy at the University of Stirling 1988-91. In 2004, David Flint was inducted as a founder member of the British Accounting Association’s Hall of Fame, receiving a Lifetime Achievement Award in recognition of his substantial contribution to UK academic accounting.
In this biographical note, it is possible only to briefly refer to Professor Flint’s research interests. Over a long career these have been, and remain:

- The development of a theoretical framework for the audit function in society;
- The concept of audit independence;
- Professionalism and ethics in accounting and auditing;
- The accountancy profession, education and training; and
- Accounting policy formulation and accounting standards.

Professor Flint’s ideas and opinions on the above matters have been expounded throughout his career in lectures, at seminars and in his writings, a selection of which is listed. However, any biographical note would be incomplete if it did not acknowledge his firm belief in the conceptual interpretation of a “true and fair view” as both the overriding standard and, at the same time, an essential element in all other standards in financial reporting, and his endeavours to advance this conviction in both the classroom and professional circles. It should also draw attention to his unswerving promotion of accountancy as an academic discipline, as reflected in his advocacy of university-based study as a necessary preliminary to, or integral part of, professional education, training and work experience.

There have been three principal strands to Professor Flint’s career: as a practitioner, as a senior figure in the Institute, and as one of Scotland’s leading academics during the latter decades of the 20th Century. One can see, within his research interests, a concern to tackle issues of fundamental importance on the interface between academic and professional accounting. Professor Flint has always believed that accountants should feel a duty to society being inherent in their professional responsibility, which could, on occasions, conflict with other interests including their own. Moreover, because of the importance of financial information and the attest function, he believes
that it is essential that the public should remain convinced of the integrity of accountants and, therefore, feel confident that they have reports which are reliable. These are issues that are just as important today as they were over 50 years ago when Professor Flint began his professional career.

References


Martin, T (1975), ‘Flint’s new age’, *Accountancy Age*, 18 April.


Selected publications and writings


Professor Flint, perhaps I could start by asking you when and where you were born?

I was born on 24th February 1919 in the city of Glasgow.

What were the names of your parents?

My father was David Flint, and my mother was Agnes Flint.

Do you have brothers and sisters?

I have two sisters.

Are you married yourself?

I’m married and have three children, two sons and a daughter. One son is a solicitor and the other is a finance director. My daughter is a doctor, a GP.

The son who is a Finance Director, did he have an accountancy training?

Yes. He took a Bachelor of Accountancy Degree with honours at Glasgow University and then became a member of The Institute of Chartered Accountants of Scotland, taking the final examination with distinction. He later passed the examinations of The Institute of Cost and Management Accountants. He trained in Glasgow, then went down to London and was in professional practice there for some years before taking up appointment as a finance director.
Did you grow up in Scotland?

Apart from the war years, my whole life has been in Scotland. I went to school and university in Glasgow. I was in the army for seven years from 1939 to 1946. I then took my training in Glasgow, was in professional practice in Glasgow, and finally joined the staff at the University of Glasgow.

Your schooling?

After attending the local school I went to the High School of Glasgow at age ten and was two years in the junior school and five years in the senior school.

Were there any particular subjects that you particularly enjoyed?

I don’t remember not enjoying anything. I was quite a good scholar, and I probably enjoyed Mathematics most because I was good at maths, but I think I enjoyed all my subjects. Some of them I was better at than others, obviously, but I had a good school record in all the subjects and a very satisfactory final examination when I left after the fifth year at senior school to go to university.

And was that typical for people going to the High School of Glasgow, to then go to the University of Glasgow?

Yes, many of them certainly did.

At the University of Glasgow, what subjects did you study?

At the time I left school, my career intention was to qualify as a CA. If one was thinking of a university education before starting a professional training, which was not by any means the common route, one option was to take an LLB at Glasgow. In Glasgow, there were two law degrees available – a Bachelor of Law and a Bachelor of Laws. If
you wanted to take an LLB, which is what I did, you first had to take a Scottish arts degree, and I took a Master of Arts Degree at Glasgow between 1936 and 1939. You could, if you had the time and energy, take certain LLB courses concurrently with your arts degree and count these towards your LLB. When I graduated in arts, I already had four major subjects that would count towards an LLB in due course. However, other events intervened. I was a Territorial Army Officer before the outbreak of war and was called up on 24th August 1939, with the result that I didn’t have the opportunity to finish my LLB degree. Some time later, the university wrote to me saying that, because the war was on, they were prepared to offer me a BL degree based on the subjects that I had already passed and that I could, if I wished, graduate in absentia. As I didn’t know what I would be doing after the war, I accepted the invitation, and I graduated BL. This is why I have a BL and not an LLB.

**Did you live at home when you were at university?**

I did, yes. That was quite common in Glasgow.

**Of those you took at Glasgow University, have any particular subjects been helpful in your professional career?**

I would say so. I took political economy, social economics and political philosophy and was a prize winner in each of these three courses. I also took logic, which I think was helpful in the development of systematic thought. Law, of course, has also been very valuable. These are probably the subjects that were most useful to me as an accountant.

**Was there a lot of teaching or did you have to do most of it yourself through reading and spending time in the library?**
When I took my degree, it was largely based on coursework in class. But there was prescribed reading and you obviously had to do reading outwith the class for essays and supplementary work.

**So you went into the army in 1939. Can you tell me something about your wartime experiences in terms of where you were and what you did?**

I had been in the Officers Training Corps at university, as indeed I had been at school. I had taken various examinations in the OTC with the result that I was qualified for taking a commission in the Territorial Army which was forming new anti-aircraft units during 1938 and 1939. I had been Company Sergeant Major in the Signals Unit of the OTC and obtained a commission in the Royal Corps of Signals in the 3rd Anti-Aircraft Divisional Signals Unit in Glasgow just about the same time as I graduated. Some units of the Territorial Army were called up for various periods during the summer of 1939 and I spent the month of July with my unit in Fife, erecting telephone lines for gun sites and searchlight sites. I joined the office where I was to train on 14th August 1939. The Territorial Army was embodied for service on 24th August 1939, so I had only a few days office experience before I went into the services.

**That was with Mann, Judd, Gordon & Co.**

Yes, I had been introduced to Mann, Judd, Gordon in 1936. In those days you were recommended to employers *via* the school, and the Glasgow High School had a connection with Mann, Judd, Gordon & Co, which was known as a firm that was interested in graduates. The careers that I had considered were actuary or chartered accountant, and I think this was because the school pointed you in those directions if you were good at mathematics. I was interviewed for actuarial training, but discarded that and went for chartered accountancy.
So you planned your career while you were still in school and then you went to university?

The intention was that after graduating from the university I would go into the office, which was indeed what I did in 1939.

I suppose that, when you joined the office on 14 August, you didn’t expect to be there very long?

Well, one didn’t know then. I certainly didn’t expect to be out again in ten days.

Could you tell me something about your experiences between 1939 and 1946?

I joined the Anti-Aircraft Divisional Signals Unit, which was in Glasgow, and responsible for communications for anti-aircraft defences in the west of Scotland. Initially, I commanded what was called a line maintenance section, which was responsible for the erection and maintenance of telephone communication. In 1940 the anti-aircraft units were expanded and formed a new division in the west of Scotland. I became a company commander, by which time I’d be the age of 21. I commanded that for a period, became restive at being involved in the war so near to my home, and applied for a transfer to another unit. I was posted to the Third British Infantry Divisional Signals. The 3rd Division had been a regular division which had been evacuated from Dunkirk. I joined them in Blandford, Dorset, and we were shortly moved to Chorleywood, Buckinghamshire. Being a regular division, there was high morale, it was very well trained and very experienced. I was appointed as Captain in charge of the section responsible for the Divisional Headquarters Signal Office (the Communications Centre).
We operated in various locations within the UK until 1944 when, having had special training, we became an assault division for the invasion of Europe. I landed on the beaches on the sixth of June, 1944 (D-Day) from one of the landing craft which was carrying some of the division’s mobile field guns. I stayed with the Third Infantry Division through the whole European campaign, through France, Belgium, the Netherlands and Germany. The division finished up near Bremen. We reformed in Belgium and I was posted, first of all briefly to the Guards Armoured Division, and then to the First Corps Headquarters. I was promoted to Major, commanding a company in 1st Corps District Signals in the Ruhr, in Germany, and remained with them until May, 1946.

I gather you were mentioned in Despatches?

I was Mentioned in Despatches in the campaign through Europe for distinguished service.

When it came to the end of the war, I thought that I would perhaps stay in the army or join the Control Commission in Europe but I eventually discarded these possibilities. I returned to the UK, and wrote a number of letters of application to major companies. I thought that, with an arts degree and a law degree and seven years experience in the army, I was probably well equipped to take up some kind of employment. I had a number of interviews and possibilities of employment but, after ten weeks of leave, I decided that the best thing for me to do was to fulfil my original intention and train as a chartered accountant with Mann, Judd, Gordon & Co. Being a graduate, there were certain concessions on the training period, and being ex-service there were also certain training concessions, with a result that I was only required to have a two year apprenticeship, before I could become fully qualified. The professional examinations were in two sections and there were two parts to each section. I was excused
the first part of the intermediate examination, took the second part, and the whole of the final examination. I took the three professional examinations over a two-year period and qualified with distinction in December 1948.

There are clearly three major strings to your career. There was the period in public practice, your time as an academic and there was a substantial involvement with the Scottish Institute. We’re talking about the first of these three strings – professional practice with Mann, Judd, Gordon. Were they the top firm in Glasgow?

In the days to which we’re referring, the profession was of course organised differently from how it is now. The large international firms weren’t so dominant. The firms in Scotland were connected perhaps in different ways to some of the larger firms in England with international connections. But they were mainly independent firms in their own right. Having built up a reputation over the early part of the century, Mann, Judd, Gordon, would be reckoned among the major firms in Scotland in 1939, and did, in fact, have a London office. Sir John Mann had been the moving light in the firm, founded before 1820 and developed by his father from 1850. Sir John was an early pioneer in cost accounting, had been employed by the government in the 1914-18 war and remained in London after the war to set up the London office of Mann, Judd, Gordon & Co. At some stage the two offices separated with the London firm becoming Mann, Judd & Co. So, it was a major firm at that time, and I think they were a firm of some standing in London as well.

How was chartered accountancy viewed as a career option at this time? Was it primarily seen as a stepping stone to becoming a practising accountant?
No, not primarily. The practice career was looked on as an attractive option but the qualification was also looked on as a very good entrée to business. I think the larger number of the people that qualified at that time did in fact go into business, partly, I suppose, because the opportunities in professional practice weren’t as great as the opportunities in business. That would be my impression.

**Can you remember any interesting experiences as an apprentice?**

Not specifically, I very quickly got on to senior work partly because, by this time, I was 27. I’d had a good education and I had moderate experience, although nothing to do with business affairs, and we tended to be accelerated on to responsible work. So I was in charge of work fairly early on in my apprenticeship which, if you recall, was only two years. I had a fairly wide responsibility and I did a lot of tax work as well as auditing which, of course, I was mainly employed on.

**Because of the fact that you were proceeding quickly in terms of gaining responsibility, did this mean that you avoided some of the more boring ‘ticking and bashing’ experiences that some apprentices and articled clerks have complained of?**

I had a fair proportion of that in the first year, and possibly into the second year as well. Yes, I think I had my share of that, but it obviously didn’t go on as long as with some because I had only two years of apprenticeship to fulfil.

**Did you get paid?**

Yes. When I was engaged in 1939, although by that time 20 years of age, I received £20 *per annum*, and for the ten days worked I was paid an appropriate proportion of one twelfth of £20. When I came back
in 1946, because of my age, experience, and qualifications, I was paid £100 per annum.

Was there no premium payable?

Not in Glasgow.

Were the CA examinations demanding?

Yes, but I passed them and was awarded distinction in the final examination.

What was the atmosphere in Mann, Judd, Gordon during the period of your apprenticeship?

I think it was a very agreeable firm to work for. They had a good reputation. They had good people. They had established a reputation in the city. The relationship with the partners was very personal and staff relationships were excellent. I think it was a very good place to work.

During your apprenticeship, did you ever discover fraud?

I don’t think I did anything exceptional during my training period.

On qualification, did you consider moving into commerce or industry?

I think my first inclination was to stay in professional practice but, for a number of reasons, I doubted whether there were prospects for me at Mann, Judd, Gordon & Co. I thought in terms of looking to find somewhere else and was interviewed for an appointment with what was then called Kerr, MacLeod and Macfarlan. Ian Macdonald, the Johnstone Smith Professor at Glasgow University, was a partner in the firm. His personal assistant, who was a friend of mine, had trained with Mann, Judd, Gordon and I knew he was leaving. I
communicated through him that I would be interested to be considered for appointment with Ian Macdonald, who sounded an interesting person to work for. I was interviewed by him and was considered for the appointment. When Mann, Judd, Gordon heard about this, they weren’t very pleased, but it forced their hand and they told me that there would be a future for me in the firm if I chose to stay on, which I did.

And you ascended the career ladder very quickly.

Yes, I had qualified in 1948, and I became a partner on 1st January 1951.

What factors caused this early appointment to the position of partner?

Well, I was almost 32 by then. It would partly be a question of my age, it would partly be because I qualified with distinction. I was seen to be a good prospect, I think, and presumably they were finding my work satisfactory. They were providing for the future I suppose.

They were afraid they were going to lose you.

They were going to lose me.

And so that started you on 21 years as a partner.

I was a partner until 1971, yes.

During that time, you did discover fraud.

None of great consequence – I can recall three cases of irregularities in audits for which I was responsible: a cash defalcation; a stock falsification; and an improper share transaction.
Can you remember any occasions when you got into trouble for not discovering a fraud?

No. I can’t recall any.

During your 21 years as a partner, was this a time when the nature of audit changed a great deal?

It was in the process of change, yes. Every firm had its own audit programmes, of course, but the major firms in Glasgow – internationalisation hadn’t yet taken place – established a study group, of which I was a member, to discuss audit manuals of a more systematic nature. Firms were becoming interested in writing rather fuller and more systematic approaches to their audits.

In terms of the development of these manuals, was it driven solely by the desire to improve procedures, or was it also perhaps driven by the need to have a record of the procedures you were following?

I think probably the first – the desire to improve procedures. It was a development of the management of the audit.

In terms of audit techniques, were they changing? Things like circularisation of debtors, attendance at stocktaking, statistical techniques … .

Yes, these were developments. They hadn’t been standard before.

In terms of the quality of the audit, was this the subject of external review in any way?

I don’t think it was standard procedure in the 1950’s and 1960’s. We certainly didn’t have it. I guess that some of the other major firms may have had some internal review but there was no external review that
I know of in Scotland. If it was taking place, you wouldn’t necessarily know about it.

**Looking back, do you see any important weaknesses in the audit function that were not recognised at the time but are apparent now?**

Offhand, I would not wish to identify anything specific: the whole approach has become more systematic.

**In very broad terms, how do you see the purpose of the audit function as having changed during the last half century?**

The objectives of audits vary but, in the private sector, for example, particularly in relation to companies and other corporate bodies, there has been a movement towards the recognition of it as an audit of accountability in the broader sense, but, generally, still related to the accounts, and to the profit and loss account and the balance sheet. The focus has been more on the information and view shown by the accounts, with examination of and increasing emphasis on the accounting system and internal control, as distinct from the emphasis in the early part of the century more narrowly and specifically on detection of error, irregularity and fraud in the detail. The audit has also been extended to cover certain regulatory and other matters.

In terms of the general purpose of the audit, my comment would be that there is still insufficient appreciation of the social purpose of the audit in terms of the nature of accountability and the measurement of accountability, and I think there was less movement in the second half of the century than was desirable. I would have thought that social expectation required a broader interpretation of what auditors should be looking at than has been the case. Resources at the command of businesses and the influence they have on the economy are greater. Businesses have become bigger and international. The concept and
scope of accountability and its measurement have evolved and the importance of audit has increased immeasurably.

In more recent years the professional bodies and others have initiated studies on the nature of and the future of the audit, which have raised some of these issues and ideas of alternative bases of measurement. There have been, however, as far as I am aware, no representations from the profession or others that statutory audit requirements should be reviewed to embrace any of these ideas. Recognition of the social value of the audit has not developed in the way that I would like to see. Major companies, however, are increasingly showing awareness of social and environmental issues and reporting on them. It seems likely that this will lead to these statements being endorsed with some independent assurance, ie an audit.

There has been some development from the audit where auditors have been engaged additionally to examine the operational functions of the audited organisation and to report internally, with recommendations to assist in the improvement in the performance of the organisation – sometimes described as ‘redefining’ the audit or ‘adding value’. While this is, no doubt, valuable it cannot be considered as part of the audit of accountability since the report is not addressed externally. It does indicate, however, an interest on the part of auditors and their capability to expand their expertise.

In the public sector, however, there has been progress in terms of extending the scope of the audit and reporting in non-financial terms.

**Do you consider the issue of auditing standards as a helpful and necessary development?**

Yes. I think it has been helpful and necessary for a number of reasons. It was necessary to reassure public confidence, to reinforce the authority
of the auditors and as a factor in demonstrating the accountability of
the profession to make public that auditors had to work to approved
standards and that their performance was monitored. It was necessary
too to ensure that auditors knew what these standards were.

**So auditing standards are likely to achieve a levelling up of
general audit practice?**

Yes, I think they have contributed to the raising of the standard of
auditing practice. Initially they would inform any practitioners who
had not appreciated they were not working to the standard expected of
them. I felt that, in the early days, the Auditing Practices Committee
was only, shall we say, creating a written record of what was being done
by the leaders of the profession. The standard making body was mainly
committed to writing up what was considered to be, ‘best practice’ or
‘good practice’. Whether it moved on fast enough, it certainly moved
on from accepting best practice and institutionalising it, to considering
what good practice ought to be, and also dealing with new issues as
they arise.

Auditing standards perhaps have the risk of reassuring practitioners
that, if the standards are being met, the work is good enough. I have
never believed that auditing standards are necessarily the final word
in any particular set of circumstances. They are an indication of what
would be appropriate in the generalised set of circumstances, the basic
required practice, but not necessarily the complete requirement for any
particular set of circumstances. The problem with standards, and this
is the shortcoming of any standards of course, is that they may tend to
inhibit progress and initiative.

**Because it acts as some kind of straightjacket on the
development of audit practice?**

That is a possibility.
And there, presumably, we come on to the tension between the legal and the moral responsibility of the auditor.

Well, it’s more than that although I don’t want to get too much into moral responsibilities. It’s back to this question of accountability and what in fact is the function of the audit. It is a more rigorous test of what in fact is the legal responsibility. If you take it in its social context, it’s not so much the moral aspect as the social aspect. What is the function of the audit? Why is it done at all? Financial records were found to be the appropriate method of determining accountability at a particular time. Is that necessarily the whole test of accountability now?

In your time as a partner with Mann, Judd, Gordon, did you have many problems getting management to do what you wanted them to do in terms of changing the accounts when you found something to be unacceptable?

No, I can’t say there were major problems. No, not with any of our clients. They tended to be prepared to be guided. As a generalisation, I don’t think that was a problem.

So the qualification of a set of accounts was a rare occurrence?

Very rare.

And when there was a qualification, was there any particular matter that produced a situation where agreement couldn’t be reached and where, therefore, a qualification had to result?

I can’t offhand remember any occasion in which there was a qualification.
Do you see today a gap between what the public expects of accounting and auditing and what accountants seem to be delivering?

The expectation gap! Yes, I think there inevitably must be because there is some misunderstanding of the audit function. Some of the public’s expectations are unreasonable or unrealistic, and unrealisable. On the other hand, I don’t think the profession’s perception of the nature of accountability and auditing has moved far enough. There are perfectly good reasons for that up to a point. It’s very difficult for people to move into an area of responsibility which puts them at greater risk until you have very clear guidelines as to what, in fact, the responsibility and added risks are, so that they can deal with them and not unwittingly expose themselves to the consequences and costs of alleged failure. It’s very difficult to expect people to accept new and additional responsibilities which are going to expose them to unrealistic claims. The incidence of claims already creates a problem. It’s the problem of defensive auditing which was talked about in the 1970s, as a result of a number of celebrated cases, mainly in the US. Defensive auditing is not good for achieving accountability: but you can understand the profession’s problem.

Your feeling is that accountants and auditors are perhaps not sufficiently aware of their duties to society?

Yes, that’s part of it in conceptual terms. I would not say accountants and auditors are unaware of their duty as they see it. The duty is perhaps too narrowly perceived. Accounting and auditing are, at least in part, a social science. They are activities that are necessary for society to function. If you don’t see them in a social context, they may tend to be static and mechanical. They should be dynamic. There is, of course, an understandable reluctance to extend the scope of audits which are
legally regulated, and the bodies audited would require to be persuaded that it should be done.

**Do you have any feeling that the profession could have done more to educate users as to what they should reasonably expect? Has there been a tendency, perhaps, to retain the mystery of the audit function?**

I’m not sure where the responsibility lies, but I think it’s certainly true that there hasn’t been enough education of users, even sophisticated users, as to the nature and extent of what it is that accountants and auditors *can* do. Matters such as, what is possible, the nature of the accounting process, the limitations of the accounting process, the essential judgmental nature of elements of the accounting process, and of the auditing process. It isn’t in either case an exact science.

**Right at the end of your time with Mann, Judd, Gordon, you were asked to prepare a report on Upper Clyde Shipbuilders?**

That was after I ceased to be a partner.

**What went wrong at Upper Clyde Shipbuilders? What was the background to your report?**

The background to the report was that the liquidator appointed for Upper Clyde Shipbuilders instructed me to carry out an investigation of the circumstances of the directors continuing to trade in the period leading up to liquidation.

**Your report raised some considerable interest in the press. What were the issues being explored?**

The whole question was the involvement of government in business, the responsibilities of government when it got involved in business, and
whether in fact the government’s involvement in business brought in responsibility to the creditors on the part of the government. It was a very interesting exercise for me, a very interesting exercise on the relationship between government and industry.

In relation to that whole process, did the government’s involvement put any pressure on you in terms of the work you were trying to do for the liquidator?

Oh no. There was no pressure on me at all. None whatever.

Perhaps we could now turn to your academic career. What caused you to return to your alma mater and take up a position at the University of Glasgow?

I first became involved in education because of the Scottish Institute’s role as a teaching Institute. At that time, the classes were taught by practitioners on a part-time basis. In the immediate post-war period, of course, it was mainly senior partners in the firms that were teaching the classes. Quite soon after I qualified, I became responsible for the teaching in the tutorial class for one of the final papers called ‘Investigations, Valuations etc’. Also, one of my senior partners was the Institute’s examiner in law and, as a law graduate, I was able to assist him in examining that subject. When Robert Browning was appointed to the Johnstone Smith chair, in 1950, by which time I had qualified with distinction, he asked me to take an appointment at the university as one of his assistant lecturers. I became a lecturer in the Department of Accountancy, on a part-time basis for ten years from 1950.

I had academic aspirations because I was interested in the academic aspects of the profession in which I was involved. I also had aspirations to succeed Robert Browning because, as you probably know, the Johnstone Smith chair was a twelve year appointment and he was due to retire in 1962. He had a two year extension and continued until
1964 at which time I applied for the Johnstone Smith chair, partly because of my academic aspirations and partly because I saw the chair as a position of some status within the profession and as an interesting aspect of career development. I was appointed to the chair with aspirations to make a contribution to the development of accounting education. I felt that academic education had a contribution to make to the development of prospective accountants and that the academic theoretical element was then missing in our education. I felt also that it would enhance the status of our profession which, at that time, was often seen as a suitable career for school leavers who didn’t get to university, and I thought we ought to be at least on a par with the legal profession which was, I think, with few exceptions, all graduate.

So I had this aspiration to make a contribution to the development of accountancy as an academic discipline, and believed that I could do something. It wasn’t in a conceited way. I felt that I had some sort of mission/vision to do something for accountancy that wasn’t being done. I hadn’t made any detailed enquiry but as far as I was aware it was a subject which was very little developed in the British universities. The academic development work that was being done was mainly at the London School of Economics. Professors Baxter, Edey and Solomons were the names in the academic field, but I felt that, in the UK generally there wasn’t very much of an academic nature being achieved in terms of course development. In any case, whether or not that was so, I wanted to see development initiated in Glasgow. So that was really my entry to the academic sphere - this belief in myself that I could make a contribution, or at least that I could try to make a contribution through the Johnstone Smith chair. As I have indicated, it was a twelve year appointment, to be filled on a part-time basis by, generally speaking, a practising accountant.

So the expectation was that, extensions apart, the appointee would stay twelve years in the Johnstone Smith chair.
I had only three predecessors. The first was John Loudon, the second was Ian Macdonald, and the third was Robert Browning. The chair was founded in 1925 and the first appointment made in 1926, although it had been talked about in the General Council of the University since the end of the previous century. But the University never made an appointment until David Johnstone Smith, who was a Past President of The Institute of Accountants and Actuaries in Glasgow, as it then was, made an endowment to establish the chair.

**Under the training structure in Scotland, in the 1950s, could courses followed at university gain exemption from professional examinations?**

The Scottish Institute, through its constituent bodies has had from its inception an association with the Scottish universities and a requirement of apprentices for class attendance initially in law. The requirement has developed and for many years prospective entrants to the Scottish Institute were required, in addition to passing the professional examinations, to attend, during their apprenticeship, university taught courses in economics, law and accountancy. That requirement continued until the 1970s. In 1960 a change was made to the previous arrangement whereby the three courses had been taken in different years. From 1960, apprentices were released from their office and took all three courses in the same year. The next change wasn’t made until the 1970s, when the ‘academic year’ was discontinued and the Scottish Institute moved to a largely graduate entry with both relevant degrees in accounting and nonrelevant degrees. Students with non-relevant degrees could, however, take additional coursework to get up to the relevant standard. These were the changes that took place; the first one immediately before my appointment and the second one in the course of my appointment.
So, the introduction of the relevant degree occurred about a quarter of a century later than in England and Wales.

There was this university requirement which I have outlined but it didn’t amount to a degree. There was in Edinburgh a BCom degree which had been available for many years and which was probably comparable to the relevant degree in England and Wales. The BAcc which was introduced in Glasgow in 1967 with the first entry in 1968, was very much more than the relevant degree in terms of course content. It, indeed, was, I believe, almost certainly the most highly specialised degree in the United Kingdom and the first to be titled a degree in accountancy. It was part of my programme for the recognition of accountancy as a relevant academic subject and which would lead to the development of post-graduate work in accountancy.

You took up the Johnstone Smith chair with a vision. What was it you were mainly trying to achieve?

My intention was to move towards the recognition of accountancy in the widest possible environment, as being a relevant academic subject, a subject capable of theoretical study and research, and to develop a first degree of a specialised nature as an essential basis for people proposing to go on to professional education, training and experience, distinguishing academic education from professional education; to have this academic study within the university available to students who wished to go on to professional education and training and for people who wanted to study accountancy and go on to whatever kind of career they wanted – a degree in accountancy with relevant supporting subjects. These were my objectives. Also, to establish a base from which research could take place. I took the view that you couldn’t expect fundamental research in accounting and finance related and auditing-related subjects unless people had studied accountancy at a primary level and then at an advanced level. To pull people straight out of professional practice
or business, etc, and expect them to be able to do research when they had no academic background in accountancy seemed to me to be unrealistic, and to have it done properly you had to progress through the various stages of academic education. That’s why I started with an undergraduate degree in Glasgow, and the prospect of a masters degree, with the hope and expectation that people would go on to more study and research and that this would produce a core of people from whom, hopefully, some would become academic teachers. That perhaps is one of the least realisable objectives, because these would tend to be such good people that the prospects of going out into the wider world were a lot more attractive than staying in academia.

The Johnstone Smith Professor of Accountancy was also responsible for taxation. Another of my objectives was to develop a course in tax law so that those students preparing for a career in accountancy could have a basis in the law relating to taxation as a foundation for the study of tax practice.

**What about recruiting the staff you needed to put in train the kind of changes that you wanted to achieve. Was this a constraint?**

Well, the difficulty was finding the people who were interested in an academic appointment. I was fortunate in my timing in two ways. One, I had a Principal in the university who was supportive of my objectives and, secondly, we were still within a period of academic development when funds were available to support such an initiative. When I was appointed to the chair, there were two full-time lecturers who had just recently been appointed. My view was that you couldn’t have the depth of education, the kind of education that I perceived was necessary, without full-time staff, and without sufficient full-time staff to enable subject specialisation. It was unrealistic to expect one person to have the time to keep abreast of all the developments within
the subject area. Therefore, you needed a core of people who could devote themselves to financial accounting or managerial accounting or auditing or taxation and so on. I’d also been strongly of the view that, in a professionally related degree, you must have a mixture of full-time academic staff and practitioners on a part-time basis, or full-time staff who have a lot of practice experience in order to keep the bond between practice and theory within the academic context. That’s a view which is not universally held. It has been represented to me that you can develop the theoretical side without having had any practical experience whatsoever. Now, you can perhaps have some people of that nature who are pure theoreticians, but I don’t think you can run a department solely on the basis of theoreticians. That, I think, may have been one of the weaknesses of the early development of accountancy within the British universities, in that there may have been some departments which were staffed with people who had very little experience, or perhaps no experience in accounting.

Anyway, with the support that I had, after ten years in office, that was by 1975, as well as the Johnstone Smith professor, there were 13 lecturers, of whom three were senior lecturers, and I think it was ten part-time lecturers; and two full-time professorial posts had been created. I had sought one of these posts in order to bring in a full-time professor, for reasons that I can explain to you. The other post was created to enable me to continue in office, at least temporarily after expiry of my 12-year tenure.

By the mid 1970s, Glasgow’s must have been one of the bigger accountancy departments in the UK?

It was, yes. Now the reason for creating the first full-time chair was that I could see my term as Johnstone Smith Professor coming to an end and I didn’t think it would be possible for a newly appointed Johnstone Smith Professor to take responsibility for the department I had created.
It needed a *full-time* professor to be the Head of Department with the Johnstone Smith Professor fulfilling a different role under the new regime. I should perhaps have said that, from 1971, I was virtually a full-time professor because, although I was still the Johnstone Smith Professor, I had relinquished my partnership. I was paid on the basis of a full-time professor but I still had the terms of appointment of a part-time professor in that I could engage in professional work if I felt so inclined and the opportunity arose. But I was really in an anomalous situation in that I was a full-time professor in the Johnstone Smith chair, which is not what was intended. But, as I had come from a practice background, the objectives of the Johnstone Smith chair were still being fulfilled. I knew that couldn’t continue and that was the reason for creating the new chair. I also felt it necessary to have a professor with a different specialisation from the Johnstone Smith Professor who, if tradition were followed, would be in practice.

**When were the changes made?**

By the middle 1970s. I had been invited to become President of the Scottish Institute and had been elected to office as a Vice-President. I was going to be in office as President in my final year in the chair. I discussed the position with the Principal who proposed the creation of an additional chair and then to appoint me on a full-time basis so that I would not need to retire immediately I had completed my term of office as President of the Scottish Institute. That’s when the second chair was created, and the Johnstone Smith chair fell vacant. The Johnstone Smith chair was going to fulfil a different role in the future. It seemed to me appropriate to vary the terms of the chair to enable us to attract somebody who was not prepared to commit twelve years but would be willing to commit to a shorter period. It was important to attract somebody sufficiently senior within the profession, and to ask such a person at that stage in his professional career to commit twelve years might be unrealistic. Another thing was that the profession was
changing rapidly, and there would be advantage to the department in being able to rotate the appointment more frequently than every twelve years. So the ordinance for the Johnstone Smith chair was changed to enable appointment for a period of less but not more than 12 years. Subsequent appointments were made on these terms.

**So how would you sum up your first ten years as a professor at the University of Glasgow?**

I had established courses in accountancy, first of all within the LLB *curriculum* and then through the degree of Bachelor of Accountancy which gave students the opportunity to take accountancy through to honours within an appropriate *curriculum*. Having mounted a degree which had accountancy as its title, I had achieved at least part of my vision, which was to have accountancy recognised within the academic community on the widest possible basis, worthy of its place as an academic subject. It was no longer a subordinate subject. It was seen as a subject in its own right for academic study and research. It is for history to judge how much of an impact it had. But I think I had established at Glasgow something that could make an impact on the wider community, and I’m inclined to think that it may have had an influence at UGC level which may have assisted other universities in their efforts to expand within that field.

**Did you find any resistance within Glasgow to the expansion of accounting and to its establishment as an academic subject?**

None at all. I was within the Faculty of Law which was very sympathetic to it. Certainly within the university with the backing of the Principal, the question was never raised by any of the other disciplines as to whether this was a proper development to take place. The development took place and went through the various channels of authority and, I guess, was looked on as an achievement.
What was the attitude of partners within firms recruiting your students? Did they welcome the idea of taking graduate accountants rather than accountants directly from school?

These graduates were welcome because they were good graduates, they were in themselves highly qualified young people and because they knew a lot about accountancy and had been stimulated to think about accounting issues. There was, however, still a continuation of attraction of some school leavers and there was also the attraction of other graduates, as there is even now, which is 30 years later. This is one of my disappointments. There is still reluctance within the profession to accept that there is a need for an academic accounting education. In other words, it isn’t necessarily looked on as a primary requirement, although at that time, in the 1970s, the Scottish Institute seemed to be moving towards highly relevant graduate entry. It is some years since I was in close touch with developments but it appears to me that it hasn’t progressed much in that respect. The emphasis throughout the United Kingdom tends to be on well-qualified entrants, rather than necessarily well-qualified accountancy entrants. It appears to be believed that you can educate them to be accountants within professional education and training. I’m sure you can up to a point but they have not had the opportunity to study the academic literature, or given time to think about the matters in a theoretical way. In summary, the academic education in accountancy as an acceptable basis of entry into professional education, training and experience is not as universally accepted today as I would have hoped for 30 years ago.

I should perhaps say, in relation to the Glasgow graduates, they didn’t all go into professional offices. Some went into industry and trained for The Institute of Cost and Management Accountants (ICMA) qualification. Some may have joined one of the other professional bodies. So they weren’t all Scottish Institute entrants. Some of them
didn’t take any further professional qualifications. They went into jobs for which they used their accounting expertise without having become a member of any professional body. But a significant number of them went into the Scottish Institute.

**In managing the development of a university department, what about the available literature? Were there any problems, particularly early on, and did the material available for teaching purposes significantly improve?**

For most of the first 10 years [1964-74], we relied largely on American textbooks, and American journals. Clearly, the accounting literature on theory in relation to financial accounting was almost exclusively American. Managerial accounting was largely American, although perhaps not exclusively. The only auditing textbook that I used extensively was Mautz and Sharaf, *The Philosophy of Auditing* and that was supplemented by my own work which ultimately resulted in my own text book *Philosophy and Principles of Auditing*. There were, of course, the standard British professional education text books. But the literature was building up over that period as an increasing number of appointments were made in England and Wales, as well as in Scotland, and young accounting academics were writing. There was more getting into the journals and there was an increasing domestic literature that students could read to engage in the discussion, or to be familiar with the discussion, about accounting issues. So, the literature was growing during that period, but it was growing by the contribution of people who were newly into the academic world, which supplemented and gave a British slant on what was largely an American debate. And the Australians too! We had contact with the Australians where the academic profession was developing faster than ours. It was ahead of ours, I’d say, in development at that time in terms of numbers and contribution.
How did you cope, between 1964 and 1971, with your commitments as both a partner with Mann, Judd, Gordon and a university professor?

I had a full commitment as a partner, by which time of course I was becoming a senior partner. I was also engaged in significant developments at the university, because the Principal had supported me. It was also virtually a full-time job. It was because of this impossible situation that, in 1971, I took the view that I had to give up one or the other. As a senior partner, although I was meeting my commitments to my clients, I was not, in my view, sufficiently in the office other than when I was dealing with client work. A partnership needs leadership, it needs direction, it needs involvement, and I didn’t feel that I was meeting my obligations as a senior partner. And I had so much going for me at the university, I felt I had to see it through. I didn’t know what I was going to do in 1976, when my term came to an end, but I felt the future would sort itself out, which is why I resigned my partnership. Increasingly, it had become difficult to find enough hours to do both jobs.

You didn’t have enough time to do both jobs to the standard you wanted, so you had to make a choice. Did you make the correct choice?

I think in terms of my own personal satisfaction, probably yes. There was no pressure from the partnership that I should make the choice. I like to think, on balance, that the partnership would have liked me to stay. It’s very difficult. You don’t know what would have developed in your career if you had in fact chosen the other way. I obviously wouldn’t have achieved as much academically. Whether I’d have achieved more professionally, who’s to say? I missed the work of professional practice. I would like to have been able to do both!
The first twelve years at the University of Glasgow was building the department. The second period?

The second period was partly a period of consolidation. Looking towards the future, I took the view that a professor of accountancy could no longer be expected to be responsible for taxation and, within the organisation at Glasgow, taxation should be established as a separate department. I put that proposition to the Faculty and to the Senate, and the university agreed to set up a separate Department of Taxation with staff drawn from the Accountancy Department.

At the same time as we had established the Bachelor of Accountancy degree, we had set up the regulations for a Master of Accountancy by coursework or dissertation. Two members of staff took the Master of Accountancy by dissertation but we hadn’t done anything more about it. We had enough on our hands with the bachelor’s degree, because it was a very popular degree with a very high standard of entry qualification. It immediately became attractive to prospective entrants to the profession, partly because the Institute, at that time, was moving towards a solely graduate entry, although there remained an entry route for non-graduates. Success breeds success. Because it was difficult to get into we got more, and more highly qualified, applicants. Good candidates create good graduates and the degree got a reputation because we had excellent people in it. Degree development was very exciting and interesting at that time. A masters degree by coursework was then developed and this has been progressing.

I’d also decided that, if we were going to have a doctoral programme, it should be a doctoral programme partly with coursework and partly by thesis. I wanted somebody with experience of that approach and, using the connections I’d established in the US, we appointed an American to the professorship to create and introduce a doctoral programme. We were able to have access to the coursework in the first
year of the existing doctorate in management studies, with instruction in research methodology, and statistics and so on. I don’t know if this scheme has continued.

**Do you feel that the development of the literature and research in accounting has contributed to the development of accounting practice in terms of how people resolve some of the problems that exist in that area?**

It’s very difficult to judge the impact of any work that has been done. A lot of the work wasn’t necessarily of very great weight because, in the early days, it was relatively young entrants who were contributing and no doubt their work has improved as time has gone on. At one conference, I was joint author of a paper on the impact of research on accounting practice and we outlined, as one of the obstacles, the problem of interpretation. For it to be useful and for it to make an impact on practitioners research requires interpretation and this requires a different type of individual. It requires a group of people to interpret research literature to the prospective users of the results of research. That is a problem which I doubt has yet been resolved. As the accounting and auditing standards organisations have developed there has, I think, been an increasing academic input to their deliberations.

**I wonder if researchers in accounting pay enough attention to presenting their ideas in the professional literature.**

Well, that’s part of it. The literature is available to them, but research papers are not necessarily understandable to people who are unfamiliar with research. It can be too highly technical, for example in terms of statistical analysis. It’s also perhaps, dare I say, that the problems explored have been those that interested the researchers rather than those that interested the practitioners. The research has perhaps not been sufficiently relevant. What is the motivation for research, and what are the subjects for research? That itself is an issue that could be discussed.
There is not probably a sufficiently interactive relationship. There is obviously, in any discipline if you like, a reluctance by practitioners to believe that researchers really know what they’re talking about, and I think that is likely to be an obstacle particularly where the practitioners have reservations about the relevance of an academic approach.

**Do you have any further observations on the relationship between the academic and non-academic sides of the accounting profession?**

Well I can’t speak for the last 16 years, because I just don’t know. My own relationship was good but I was in a special position. As a generalisation, in my time the relationships were not as good as I would hope to be the case in a mature profession. The academic profession in the UK, in relative terms, is a young group. I don’t mean age-wise, I mean that the existence of an academic group is relatively young. And I don’t think that the profession, and by that I include all those engaged whether in industry, commerce or whatever as well as those who are in public practice, have necessarily accepted the contribution of the academics in a way which I hope can, in the long term, be achieved. It will depend on the quality of the education which the universities give to prospective entrants to the profession and it will depend on the quality of the research which the academics carry out and the value it has, not only to the profession, but to the society which the profession serves, whether the standing of the academics will grow, and the relationships between the two will become, to my mind, more mature. I think that the contribution of academics to the research and deliberations of the standard making bodies should be valuable in this connection.

**How would you compare the educational training that accountants do receive today with that which you received in the late 1940s?**
I can’t respond to that comprehensively as I am not now informed about the different arrangements of the several professional bodies. As for the Scottish Institute, although I am no longer familiar with the detail, in relation to the needs of the time it’s probably as adequate as ours was. Ours was perhaps a more personal training in that we were possibly closer to the principals to whom we were attached. The education is now perhaps more formalised, and the contact with the principal who is responsible for the professional education and training may be more distanced, so it’s perhaps less personal. Training and experience now, however, are more structured and supervised. Education has had to change because the needs of the profession have changed. The content of the syllabus has altered, the depth of the work that is required has moved in relation to the needs of the time. My impression is that present education is probably very much more demanding than it was in our time, although we found it demanding enough. It obviously isn’t entirely what I would want it to be, because it doesn’t necessarily have the academic content which I think is necessary. The main point is that it is and has been constantly updated to keep it relevant to changing needs.

Moving on to your work with the Scottish Institute.

Just before we go on to that, I would say something about auditing. When I started teaching I was much influenced by, firstly, George O May, particularly his text on *Financial Accounting. A Distillation of Experience*, and then latterly by Mautz and Sharaf in *The Philosophy of Auditing*. When I started preparing a course in auditing for the purpose of the degree which I wanted to introduce, I began to appreciate the extent of the theoretical and the social issues which are involved in auditing. It’s touched on a little I think in my paper on *The Role of the Auditor in Modern Society: an Exploratory Essay*. I realised that auditing, as I had been trained in it as an apprentice, and largely as I had practiced it, was very much too routine, and that there were
bigger issues involved. I began to see this as a subject which was really worthy of very much more thought and development than had ever been given to it. I saw it as a social institution, which went very much wider than financial accounting and financial accountability. Also, there was much to learn from it in the public sector which the private sector hadn’t really thought about in terms of the kind of issues that were subject to the kind of examination for which auditing was appropriate. It was obviously at that time not a matter of interest to the academic community in accounting, largely, I think, because from their experience, if they were professionally trained, they saw it as a mechanical routine operation. Even by the time I left university, there was not really a great deal of interest, although it was beginning to develop as a subject worthy of more academic research and thought.

I was persuaded that one should think of auditing, not as a subset of accounting, but as a discipline on its own to which separate considerations apply. That has become increasingly significant in the last 30 or 40 years. The practice of financial accounting has developed generally and this alone has produced particular problems for auditors; and, there is a growing range of applications of auditing to bases of measurement which are not accounting. There is also a very much more focused attention on the real nature of independence as far as auditing is concerned. Understandably, professional accountants will think of developing auditing as it applies to their practice. There is an increasing need, however, to look on auditing as something which goes beyond the realms of the accountancy profession, and to see that the auditing profession is really a distinct profession. I see this as an issue which is critically in need of attention. More importantly, what I see as a problem is that other groups may become involved in an activity which is auditing, who may not necessarily have the professional background to produce the quality of result which auditing should produce to maintain public confidence. This is a matter which I see as requiring attention as auditing as a practice expands.
Auditing as a profession – has it suffered from a failure to recruit people with skills to complement the work which perhaps the traditional auditor does?

There is development taking place and, in public sector auditing I think that there always have been non-accountants, people who were specialists in other areas. You obviously have to if you’re auditing public services. You have to have somebody who knows something about government or, for example, the police, or the health service or education or universities or whatever. Somebody who knows the criteria of measurement to use because there have to be criteria of measurement or you can’t have an audit. You also now have medical audits. Is that an audit or is it a peer review or something else? The term is important. You may compromise the apparent independence and authority of the audit by calling other activities by that name, activities which don’t satisfy the criteria of audit which, in my view, is a critical social function.

Do you think there might be some advantage in firms, or sections within firms, specialising in particular types of audit so that the individuals undertaking these audits can develop a particular expertise?

Yes, that’s one of the matters I referred to when writing on The Impact of Change on the Accountancy Profession. With the developing complexity of business and other activities, if the auditor is going to be competent to audit, he or she must understand the business or relevant activity. I think you must have some specialisation within auditing. The old concept was that, if you were qualified as an auditor, you could apply the principles of audit to any organisation, whether it was a shop or an international company. Well, the principles are the same, but the knowledge of the activity which you require to have is different. You also, for example, need to know a lot more about management.
In terms of teaching auditing, did you find it easy to enthuse students in the classroom?

I think so. They're the ones to ask.

It’s a subject that some teachers struggle with, and I wondered whether you’d developed the philosophical theoretical dimensions to your teaching of audit perhaps to overcome the fact that a lot of audit is very applied and practical and, at that level, I would imagine students might find it rather uninteresting.

My objective was to establish a basis for understanding and developing audit practice. I took the view that teaching the practice of auditing really had to be done during professional training and education. I would try to give the students the concepts and the theoretical framework, the function of auditing in society and the objectives of what auditing was about, and to illustrate it by reference to business and the public sector and other areas. I didn’t endeavour to talk about how you did an audit. The questions of test-checking and so on were presented as issues of principle rather than of practice. Perhaps I did manage to enthuse because I passionately believed in what I was trying to do but, as I say, you would have to ask the students.

These passions of mine are important to give the impression of what I achieved in my life and what I failed to achieve. I believed in academic education for accountants, and I believed in the function of accounting as a vital force in society, and I believed in auditing. Two different subjects but both of them vital to our kind of democracy.

Shall we now move on to the Scottish Institute? I’m not quite sure if this is the right term, but what caused you to become involved?
I think just my interest in my profession. I’ve always been interested in my profession in the wider sense. In the post-war period, after I qualified, discussion groups were set up: one in taxation and one for non-practising members and I joined them both. When the Scottish Institute established its summer school as a forum for discussion of topics and where papers were presented, I went to the first one and continued to attend for a number of years because I was interested in the profession. It was my life, really. The first committee I was appointed to was the Taxation Committee because, as a general practitioner, I did a lot of tax work for audit clients. Some of the work was quite involved and I kept abreast of the taxation field – something rather more difficult than it had been perhaps twenty years earlier but not as difficult as I think it is now. Following appointment to the Taxation Committee, I became the first convener of what was called the Taxation Research Committee but I don’t think that did very much. I had not served on the Council when I was invited to accept nomination as a vice-president, and it was, I can assure you, a surprise to me at the time. So I was, what you might say, catapulted into office in the Scottish Institute.

Was there a separate research committee?

There was at one time a committee called Research and Publications. I can’t remember all the background now but, in the early seventies, it was proposed to discontinue that committee, for whatever reason I don’t remember. It was about that time that I, no doubt with some others, argued that the Scottish Institute should be seen to be interested in research, and that research was important. However little it did, the Institute should at least be seen to have a Research Committee and to be concerned with research. It was on that basis that the Research Advisory Committee was set up to keep alive the Scottish Institute’s interest in research. It was really only after I had served my term as president that I became more actively involved in what it was doing.
Something we instituted, which I felt made some sort of contribution to the development of the subject, was a series of monographs on matters of importance, and we commissioned individuals whom we thought appropriate to write them. We also sponsored a research conference but, beyond that, I’d have to go back to the minutes to see what we did. I don’t really remember dealing with any particularly big issues and we certainly didn’t commission research, because we had no budget apart from the financing of the committee.

**Having been catapulted into positions of prominence as Vice-President and then President, what were the burning issues that you had to address?**

The issues which had to be addressed were, of course, not unique to the year of my presidency. They were the continuing issues of the period in which my presidency fell. The scheme of integration of the profession had failed to gain acceptance and the question was how to progress from there. The Consultative Committee of Accountancy Bodies (CCAB) had been formed and was going through the initial stages of how to get the several accountancy bodies to work together. That was a major issue and it affected other matters. Accounting and auditing standards were an important issue. The Accounting Standards Steering Committee had been set up by the English Institute to develop some standards on the basis of their initial mission statement. It was then agreed to involve the other bodies, with the committee being renamed the Accounting Standards Committee. Then a joint Auditing Practices Committee was created. These developments occurred against a background of numerous business failures, resulting in a series of Department of Trade Inspectors’ Reports, criticism of the profession and concern about auditing standards. The maintenance of the authority of the profession was basically at issue, I think, although it wasn’t discussed in these terms. This was also the period of debate on accounting for inflation following publication of the Report of the
Sandilands Committee (1975). So there were these movements for the professional accountancy bodies to come together in settlement of the profession’s affairs, without having integrated. There were the inevitable ‘tensions’ between the six independent bodies which made up the profession, each with its own traditions and its own determination to make a contribution to dealing with these matters.

There was also a growing involvement with the continental European accountancy bodies and the Union Europeenne des Experts Comptables (UEC), now renamed the Federation des Comptables Europeens (FEE); and an expanding commitment to international organisation, co-operation and standard setting in the International Federation of Accountants (IFAC) and the International Accounting Standards Committee (IASC). I think that by this time the Accountants International Study Group (AISG) had been discontinued.

These I would say were the kind of issues which dominated my period as president. You are, of course, part of a continuum. There’s a limit to what any president can achieve and can hope to achieve. You are continuing things that were started before you, and hopefully you may start things which you won’t finish in your time. You are dealing with situations which don’t all get resolved in a twelve month period.

**In terms of the relationship between the professional accounting bodies, did you feel that there was an enthusiasm, even a determination despite the merger failure, to address together the issues you have identified?**

Oh yes, the desire was there to deal with them. The creation of the various joint committees is evidence of that. In representations to the standard-making committees, submissions by the professional bodies, firms, individuals and others could inevitably expose different opinions but these were essential to the committees in coming to a decision. Once agreement was reached the profession was, of course, united as
far as compliance was concerned. Discussion and evaluation might continue particularly among academics and in the press but this did not compromise the authority of the standards.

There were, however, areas where the bodies continued to act independently, for example, submissions to government on tax law or perhaps, on occasions to other organisations. It is probably the case that government had over time consulted with the profession formally or informally and the profession’s view or views on matters within their special competence were of value to government. I think, however, that the fact that the profession’s views were of value to government and that the profession should be involved in presenting views to government was something which became increasingly recognised in the second half of the century. There was some controversy over whether the profession’s influence was weakened by there being different views or separate submissions on some matters, and a feeling that the profession would be more highly regarded if ‘it spoke with one voice’. If I correctly recall, the press would sometimes make an issue of this. The situation was that there were six bodies. I would be doubtful if the government and others were at all concerned whether the profession, on some occasions, ‘spoke with more than one voice’. On some matters such as, for example, Standards of Practice, Recommendations on Practice, Ethics and Discipline there must, of course, be cooperation and agreement. Apart from this it is questionable whether it would be realistic to expect the several professional accountancy bodies always to have a collective view or to act collectively: or whether this is a realisable, or even necessarily a useful concept. I don’t in fact, recall any major matter on which there was a conflict of views. By and large, I think the profession did try to harmonise its views, but the point is that the different bodies reserved the right, to follow their own course, to have an independent opinion, and when appropriate to make separate representations. I do not think there has ever been any reluctance on the part of the government or others to receive separate views from
the Scottish Institute. The Scottish Institute certainly believed that the Institute was regarded with respect in government departments and elsewhere and that its independent views were valued. There were, as I have said, inevitable tensions. Successive office bearers had to establish a personal working rapport with the office bearers of the other accountancy bodies, and effective operation of joint working was very dependent on their individual effort and that of others responsible in the various specialist areas.

The relationship of the Scottish Institute with the major accounting firms during your time as President. Did that work well? Was it the case that the firms looked to the Institute for leadership?

I think that at that time up to a point they did, although there could be issues on which the major firms might take an independent view. The major firms were involved at the top level in Institute affairs. Senior partners of major firms were involved in the Institute and were, therefore, very influential in its affairs.

But subsequently the situation changed?

I would think this is possibly so, but it’s really for others to judge that. There is, however, a serious issue here for consideration.

Were there any disappointments during your period as president, anything you’d like to have done but which it proved impossible to do?

No, I don’t recall there being anything of that nature. No, as I say, one’s developing policy or developing action in relation to the needs of the time on the basis that you’ve taken over from your predecessors and hand over to your successors. A year is a relatively short time.
A few years later, you were on a working party that produced a paper called *The Impact of Change on the Accountancy Profession*. I think this was a discussion document. What did it try to do?

This was quite soon after my presidency. There was some thought of setting up a committee to take stock of where we were and to give some pointers to the future. The eventual decision was that a committee paper might be a bland paper, or difficult to achieve, and it would be better to give one individual the responsibility, but give him a committee as a sounding board. I had a committee of three. It was a very good committee. I was to write a paper giving my analysis of the present situation and the needs of the future. I wrote sections of the paper, we then had meetings, the committee gave me their comments on what I had written and I revised this as I thought necessary. I can’t remember how long it took now, but I presented a paper, which was presented as my views as monitored by the steering group. I didn’t pretend that it was necessarily their views, although their views had influenced me. That was the background to it. It was the Institute taking the view that, with the changes that had taken place, the Council should have a look at where the profession had gone and where it was going, so that it could make the necessary changes to enable it to face the future.

**Did it generate discussion and produce identifiable outcomes?**

Well, it certainly generated some discussion, not only within the Scottish Institute, but elsewhere. There was a paper to the Scottish Institute of which the published paper was a major extract; there were parts of it which were thought to be domestic to the Scottish Institute which were not published. But the essential paper was published and I addressed meetings of a number of different groups on the content of
it. Obviously it was looked at by the other professional bodies, because different people spoke to me about it at the time. The Scottish Institute commissioned a commentary on it which was also published.

**Could you sum up what was, over a long period of time, your contribution to the work of the Scottish Institute?**

I don’t think I can answer that question. You would have to ask other people, though I don’t know who you should ask because, of course, it’s over a long period of time and different people have contact with one over that period. You really have to get together a cross-section of people over the last 25 or more years. I’ve followed issues which seemed to me to be important. I’ve endeavoured to advance them. Other people obviously have similar or different views, and it is an admixture of these views which presumably influence policy. To what extent my views have influenced policy, I can’t tell because it’s only part of what has gone into the general mix. Obviously, I haven’t influenced educational policy as much as I would have liked, because neither the Institute nor the profession as a whole have moved in the direction that I would have liked to the extent that I would have liked.

In addition to which, it’s 25 years since I was president and 16 years since I retired from the university. These have been 16 and 25 years of fairly constant development in the way that the profession operates. To take one example: when I started in the profession in 1949/50 any kind of self-publicity and advertising was absolutely taboo. That was a major issue. Even succeeding to the client of another firm was looked on as a major issue that had to be approached with a good deal of circumspection. There was a proprietorial view about clients in some people’s minds which would not be understood nowadays. The commercialisation, if that’s what it should be called, of the profession in the meantime has been quite dramatic. Not simply within our profession, may I say. This has occurred across all professions. The
attitude to public advertising has completely changed in all professions. The attraction of new work – the attitude to that has completely changed. That has been perhaps one of the major changes in the profession as well as the organisational management changes within the profession. They’ve all been part of the change in the whole nature of professional organisation and professional management. As to my contribution to development within the profession, I’d say my views have been expressed on education, on auditing and the nature of accountability and on the meaning of a true and fair view. Whether that has influenced anything, whether it’s even influenced my students, I can’t really tell you. Only history can judge.

This question of the changing image of the profession. One might say that, in the early days, accountants were keen to produce a self-image that has been referred to as ‘a gentleman of respectability’. As someone who could be trusted. Do you think that the way the profession has altered in the last 40 years has in any way caused problems for the public’s perception of the respectability and trustworthiness of the accountant?

I think there’s a curious paradox in that, at the same time as there has been an expansion in the remission to experts for independent opinions, the professions are subject to a great deal of criticism or adverse comment. Any sort of crisis nowadays produces a demand for an independent enquiry. Now, on one hand, that means that the public believe there is such a thing as independence of judgment and opinion. At the same time, they are critical of the professions which purport to be the representatives of independent inquiry and opinion. So you have this paradox in society: at the time when independence is being questioned, there is an increasing demand for independence. That may simply be the healthy expression of a view that, if you want to be regarded as independent, you had better make sure that you are
seen as independent. Therefore, there is, perhaps, a greater need in our present society to ensure the appearance of independence, as well as the actuality of independence, something for which I’ve always argued. I think you have to go further in order to make it clear, beyond all question, that there is independence. This is why these subtle conflicts, between the accountancy and other professional work which accountancy firms do and the auditing work which accountancy firms do, really are damaging to the absolute independence in perception of the auditor. And that perhaps has not been sufficiently emphasised.

This must presumably be a serious problem because, in the last 30 years, it has been the consultancy side of the accountancy firm’s work that has developed immensely. Most of the major firms’ growth has depended on their ability to attract more and more work in that area.

It appears to me, as an observer now, that the professional firms now tend to emphasise their role as business advisors. One can’t object to that if that’s the way they want to see their work going. The question is whether in fact it is in conflict with their continuing role as auditors to a greater extent than used to be the case. The conflict has always been there. The question is, is the conflict more acute now?

So the mix of work is perhaps, in a way, altering the image of professional firms in that it inevitably results in them becoming rather more commercial in their outlook.

The expansion in the range of work together with the changes in advertising and publicity and the approach to the attraction of work have made it more commercial. The need of firms for rather stricter organisation in order to be commercially viable has affected the nature of the firms. It’s like any other business where you are managing resources which have got to be paid for. Managing a professional firm’s resources must be done in a professional manner, using the term
‘profession’ in a different sense, and that means it becomes more akin to a commercial organisation. The great dilemma is how you manage commercially and retain your professionalism. There have been papers on the conflict between professionalism and commercialism, principally in the US, since the 1970s. That conflict is still there though I think it’s more acute now.

**Given the way in which accounting and society have developed, do you think the growing litigation against accountants was unavoidable?**

Yes, I think it was unavoidable because, inevitably, human nature is such that human failure will take place. Because of the changing nature of society, there is less preparedness to accept the authority of the professions. The professions have been put on notice that they have to be accountable and, if you are accountable, people will enquire into what appear to be your deficiencies and, if they enquire into your deficiencies, they will seek compensation if they think you have failed. It’s a change in the nature of society over the last 50 years. It affects all professions and, as ours is a profession which is concerned with management of financial resources, we’re going to be right at the front of it. If you hurt people’s pockets, people will want compensation. If we happened to be in the medical profession, we would think that we were the targets of the public. Perhaps more so! So, I think growing litigation was inevitable because society has changed.

**How well has the profession handled these changes?**

As I’ve indicated earlier, I think there are respects in which the profession has perhaps not been as forward looking in recognising the extent of its public accountability. Whether that could have affected its practice and made it less liable to human failure is difficult to say. Perhaps the profession should have been readier to acknowledge and to publicise the limitations of what it is able to do. In other words, a
more positive approach to the expectation gap by explaining to the public that some of its expectations were unreasonable.

How do you assess the standing of the accounting profession today, within the public domain, compared with when you were first made a partner, and then later when you retired?

I believe that the accountancy profession has shown a capacity to adapt and develop in a social, business and public environment which has been the subject of substantial and continual change. There are areas of challenge and difficulty to which I have referred. Society has become more questioning, and the profession has to be more transparently accountable; it has to be proactive and to do more to maintain its standing. There have been changes in the size, the structure and the management of firms, and the perception of the profession as represented by individuals and by firms may be distinguishable. However, in the context of the changed society, as a generalisation, relative to other occupations and other professions, I think that the standing of the profession at the present time would, in public perception, probably be very similar to what it was at the earlier dates.

Could you tell me what you see as having been the highlights of your career?

As contributions to understanding on matters of professional importance I’m pleased to have written my book on *Philosophy and Principles of Auditing* and my papers on *A True and Fair View*. However, I would say that the significant highlights in my career, as we’ve discussed it, were first of all my appointment to the Johnstone Smith Chair of Accountancy at the University of Glasgow, in 1964. It gave me the opportunity to do something about developing my belief in the need for an academic education to be part of the education of prospective accountants and to create the degrees of Bachelor and Master of
Accountancy. And the second event which I would instance would be election as President of The Institute of Chartered Accountants of Scotland in 1975, for the term 1975-76. Recognition by your fellow professionals is I think one of the greatest marks of esteem which one can have, and it was a very rewarding experience. Finally, I have been greatly honoured by the recognition of the University of Glasgow of what I have tried to accomplish in my life in the conferment in 2001 of the Honorary Degree of Doctor of the University for my significant contribution to the profession of Accountancy and to the University of Glasgow.
IAN MORROW
A BIOGRAPHICAL NOTE
BY
PROFESSOR MICHAEL MOSS

Ian Morrow was born in Manchester in 1912. His father, who was the manager of a jute mill in Brazil, had sent his mother home so that their child could be born in Scotland, but the baby was born before she could reach home. Ian was, however, brought up in St. Andrews where his grandfather, who hailed from Prestwick, had settled after leaving the army. There he had married a grand-daughter of that legendary golfer and Open Champion, ‘Old Tom Morris’. Ian was sent to school at Dollar Academy where he excelled at rugby. His mother died when he was young and his father was managing a mill in India. With his father away he spent many of his holidays staying with relatives. After leaving school he had hankerings to go to Oxford so he could play in the ‘Varsity’ match but his father insisted that if he wished to attend a university it must be a Scottish one. This did not appeal to Ian and instead he decided to follow his father into the jute industry. In 1930 he became an apprentice with the spinners M & C Hill of Dundee which was a small firm that specialised in training apprentices to work in India. The textile trades kindled an interest in cost accounting. Since the introduction of the factory system into the industry, mill owners had been keenly interested in costs and productivity. Robert Owen had installed his famous monitors at New Lanark to distinguish the output of various operatives and accounting systems had been devised to provide accurate and detailed costing information on a daily basis, which was well understood by managers. This was very unlike much
of the rest of British manufacturing industry. After a year Ian decided to leave M & C Hill and become an accountant.

He sought advice about his chosen career from the professor of accounting at the University of Edinburgh, whose brother-in-law was a close friend of his father. He refused to take Ian as an apprentice in his large practice but suggested the small Edinburgh practice of Dewar & Robertson where he was indentured to Ian Marshall, who was to become President of The Institute of Chartered Accountants of Scotland (1958-59). Being a small firm, apprentices gained wide experience. Ian’s interest, though, remained firmly in cost accounting and during his apprenticeship he took the examinations of the Institute of Cost and Works Accountants in 1934-35 and was subsequently elected an associate in 1939. He passed his professional exams with ICAS in 1936. Looking back Ian Marshall declared that Ian Morrow and Donald Barron, later Chairman of Rowntree Mackintosh and the Midland Bank¹, were the best pupils he ever had. After a year as an audit clerk with Dewar & Robertson, Ian Morrow decided that he did not want to practice as an accountant but rather to put his training to practical effect in industry. In making this resolution he was helping to set a trend which would lead to over half of all qualified accountants working directly in business by 1939.

Ian Morrow chose to return to the textile trade, becoming an assistant accountant with Brocklehurst, Whiston & Co., silk weavers, who had just moved their office from London to Macclesfield. Despite the difficulties which confronted the British textile industry in the inter-war years, the firm had recently installed new looms and entered the retail trade. They had become engaged in a price war and were in urgent need of a cost accountant to achieve optimum loading. Although only newly qualified, Ian Morrow had a great deal of responsibility as deputy to the Company Secretary, who was responsible for financial control, left to him. Ian successfully installed an incentive scheme resulting in a substantial increase in production.
This brought him into contact with the American firm of business consultants, Stevenson, Jordan & Harrison, who were brought in by the owners, to review production methods. At the time there were few consultants working in Britain and those that there were, such as Urwick Orr, tended to concentrate on administrative systems and time and motion studies rather than on costs.

By 1940 Ian Morrow felt he could contribute no more to Brocklehurst, Whiston & Co. and he accepted an invitation to become a consultant with Stevenson, Jordan & Harrison. This was a turning point in his career as he was introduced to concepts of standard costs and budgetary control which were much better understood in North America than in the United Kingdom. He was the only accountant in the firm, all the others were engineers. Disliking the American chief executive’s mode of doing business and being excluded from active service by the nature of his job, he began to seek other opportunities. Out of the blue he was approached by Lawrence Robson, an established chartered accountant with similar interests to his own. A brilliant salesman, he was a partner in the family firm of Blackburn Robson Coates, which was based in London and had a significant local practice amongst manufacturing firms. Ian Morrow said he had no interest in joining a practising firm but would be interested in an accountancy practice which did nothing else except consultancy.

On 1 January 1943 they set up the firm of Robson, Morrow & Co with Ian working full time and Lawrence continuing in his existing practice and acting as a salesman. With the wartime government determined to maximise output but at the same time control costs to prevent inflation, there could not have been a more propitious time to establish such a firm. They quickly won clients both from wartime government departments such as the Ministries of Production and Supply and from a variety of contractors, particularly engineering, textile and chemical companies. They also built up an important network of contacts with young men such as themselves who were
later to play a significant role in British public life in the post-war years. Their core business was installing systems for providing standard costs and budgetary control, but extending to management organisation and the control of production. They reviewed and improved all the record keeping processes within a business and even began to make recommendations about senior appointments, vital in wartime when output of matériel was essential if victory was to be achieved. One of their contracts, for example, was the production of rear gun turrets for bombers which had to be fitted to deter attack by enemy fighters from behind.

Not long after the war and as a result of a conversation between Lawrence Robson and his next door neighbour, Ian Morrow was invited to be Controller of the International Refugee Organisation which was in need of strong financial control as costs were escalating. In some cases refugees were being better provided for than people at home. By now he had developed his own style in tackling such commissions. He demanded a free hand and the right to select his own team. When a senior officer tried to remove one of his staff, Ian protested vehemently and won. Such a determined approach was to be the hallmark of his later career in dealing with companies in difficulty.

His wartime work earned Ian Morrow a fellowship of the Institute of Cost and Works’ Accountants in 1945. With the coming of peace Robson, Morrow & Co were much in demand for putting into practice the Labour government’s programme for post war reconstruction. They became heavily involved with the recently nationalised railway industry both in the repair and production of locomotives and in operations. Ian Morrow was able to demonstrate that railway workshops were hopelessly inefficient with loadings of just over 50 per cent due to the lack of any planned work flow and inadequate management. He exposed incredible restrictive practices amongst train crews, a hangover from the previous operating companies. Although management did not
like being told about these shortcomings, on the whole Ian Morrow was respected for the soundness of his judgement.

In 1950 the Anglo-American Council on Productivity announced that it was sending a trade mission to the United States. Stanley Berger, the director of the Institute of Cost and Works’ Accountants, suggested a team of industrial accountants should be sent and the government agreed. Despite strong opposition from the English Institute, Ian Morrow was invited to be leader. The other members of the team included, Berger himself, L E Bunnett of the Ministry of Supply, John Craig of Colvilles, the Scottish steelmakers, F J Weeks from W D & H O Wills, the tobacco manufacturers, D Williamson of GKN, Charles Barnard, F A Callaby, G A Culverwell, C J Little and R G Hooker. Their terms of reference were ‘to find out what accounting, costing and statistical information is provided for American management at different levels: by what methods it is obtained and how it is used’. They were in America for almost eight weeks visiting companies on the eastern seaboard, government departments and business schools then almost unheard of in Britain. They were welcomed wherever they went and impressed with what they saw. With characteristic determination, Ian made his team write up a draft report on the boat home while members of other teams played quoits:

- The greatest single factor in American industrial supremacy is the effectiveness of its management at all levels. . . To achieve and maintain its efficiency American management makes far-reaching use of techniques of accounting and costing.

- One measure of the effectiveness of management is its ability to use the means of production at its disposal – the men and machines – without overstraining either and to produce the greatest output at the lowest cost. One of the main differences between American and British practice in management is that American management
recognises this. It colours its whole approach and outlook and determines the atmosphere in which it works.

- American management has, as the mainspring of all its actions, the well-founded belief that unit costs must be reduced each day and every day and every week, week in and week out, year in and year out.

The team’s recommendations were forthright and far reaching:

- That management, in considering the future and preparing plans, should make the fullest use of budgeting and forecasting, based on accounting and costing data; and

- that industrial accountants should make great efforts to acquaint themselves with the problems of management and the technical processes in their industry, and concentrate their efforts towards producing information which will serve as a guide to policy and action.

The team also wanted an end to the implicit cartelisation of much of British industry which they believed militated against effective cost control. The team also advocated the introduction of American-style management education. This radical report soon became required reading for cost and management accountants and was translated into French, German and Japanese. On their return Ian Morrow toured the country to present his findings and made a memorable impression on many young accountants including the young Sir Jack Shaw, later Governor of the Bank of Scotland.

The following year Ian Morrow left Robson, Morrow & Co after a disagreement with one of his partners. On the invitation of Hambros Bank, the merchant bankers, he became financial controller of one of its clients, the Brush Group, for whom Robson, Morrow & Co had also worked. Brush was in difficulty and many believed in its current
form beyond redemption. The Group was an early conglomerate with interests in electrical and diesel engineering and nine factories employing some 12,000 people. The managing director, a lawyer, had been pressing Ian Morrow to join the company for some time but he had resisted believing they were incompatible. When the managing director told Ian Morrow he was terminally ill, he changed his mind. Within a year Ian Morrow had been appointed deputy-managing director with a wide remit to control costs and raise productivity. He became joint managing director in 1955 by which time the Group had turned the corner. Part of his recipe for this success was inter-disciplinary training. He turned engineers into accountants and made accountants act as cost controllers. He was elected one of the youngest presidents of the Institute of Cost and Works Accountants in 1956. During these years he also found time to be a founder member of the British Institute of Management and to join the council of the Federation of British Industries and the Production Engineering Research Association.

After the Brush Group was acquired by Hawker Siddeley in 1958, Ian Morrow resigned and was immediately approached by Jack (John Henry) Hambro of Hambros Bank. Hambro wanted someone he could rely on and appoint to the boards of companies which his bank was prepared to finance. The majority of these firms, like Brush, needed radical restructuring to return to profitability. Ian Morrow did not wish to join Hambros as he feared this might jeopardise his independence if other interesting propositions came his way, but he was prepared to accept an office in the bank with the necessary support. However he joined the board as a non-executive director in 1972, eventually becoming deputy chairman.

The post war boom had come to an end and many companies found themselves exposed to foreign competition which they were unable to match. In these circumstances it was hardly surprising that jobs came thick and fast both from Hambros but also from elsewhere.
Hambros gave their customers a choice: either to take Ian Morrow or repay their loans and go under. Ian’s first commission in 1958 was to take over as chairman and managing director of UK Optical & Industrial Holdings Ltd where production had gone seriously wrong. Earnings had collapsed, stocks were too high, and market share was falling. He worked fast to resolve these problems so that within four years earnings had recovered from 8.8 per cent of turnover to 42.2 per cent. Although he remained as chairman and managing director, his style was to withdraw once recovery was in sight and leave it to the company’s own talent to carry the business forward.

His next commission from Hambros in 1961 was to take over as chairman of Kenwood Manufacturing Company which had got itself into a price war in the sale of domestic refrigerators. After a brief investigation of the company’s costs, Ian Morrow enquired of the managing director Kenneth Wood (after whom the company was named) if it would be possible to increase the price of their fridges. A negative response met with a curt command to cease production. In the face of protests from Kenwood’s staff Ian Morrow advised it would be better to give the fridges away. Ian got his way and Kenwood prospered by concentrating on their food mixers where prices were more elastic. He remained chairman of the company until recovery was assured and it was sold in 1968 to Thorn Electric.

No sooner had he become involved in Kenwood than Hambros also in 1961 asked Ian Morrow to find a solution for the Clarkson group of companies which they had rescued through their subsidiary Shipping and Industrial Trust Limited. Clarkson was an old established firm of shipbrokers and shipowners which had over-reached itself by diversifying into insurance and holidays. As chairman of the insurance subsidiaries and joint managing director of the holding company, he set about rationalisation to return the company to its core business. Over the next five years many other assignments followed and Ian Morrow built up an experienced team with the skills to deal quickly
and effectively with any corporate emergency. This included his fellow Scots accountant Willie Risk.4

Ian Morrow’s most high profile case was as Chairman of Associated Fire Alarms Ltd (AFA) whose shares were suspended in June 1965 after press speculation about the veracity of the accounts. Unlike most of his previous rescue missions, AFA was largely owned by the public. Although he described the affairs of the company as ‘the biggest mess I have ever seen’, the insurance and finance industries, which had installed AFA systems or insisted their clients install them, were very anxious that it should not fail and were willing to advance whatever was necessary to ensure survival. In a classic pattern expenditure had increased as the company tried to enlarge its market share with no corresponding rise in turnover. The management had completely collapsed with invoices running months behind. In the time-honoured tradition of a crisis, depreciation had been waived in order to improve published results and bolster the share price. Ian Morrow ensured that costs were slashed and a new accounting system put in place. Within less than six months Morrow, assisted by Ronnie Hooker as his deputy, was able to report a real improvement and to recruit a galaxy of talent to the board. In 1967 the capital was reorganised and the company returned to profit despite the poor trading conditions. It was eventually sold on to HMV.

By the late 1960s Ian Morrow had become a respected figure in the City with a reputation for incisive action in addressing corporate problems. His experience was to be well tested in the spring of 1970 when he was asked to look into the affairs of Rolls Royce as a condition of refinancing the development of the new RB-211 engine from the government-sponsored Industrial Reorganization Corporation (IRC). Within a week, he had concluded that cost control was entirely absent and the board had no means of distinguishing between its variable and fixed costs. There had been a headlong rush to resolve the engineering problems of the new engine. The associated costs had been incurred
without consideration of the implications for the fixed price contract with the American aeroplane builders Lockheed for the RB-211 engine to power their new TriStar airliner. This was shattering news from one of Britain’s largest and most respected manufacturing companies.

In July 1970 with Edward Heath’s Conservative Government in power, Ian Morrow joined the board of Rolls Royce as joint–deputy chairman with a brief to install effective and badly needed cost control systems with the help of a new finance director. Although considerable progress was made over the summer, there were still many obstacles to change. In October 1970 IRC, which the Conservative government was in the process of winding up, insisted on a radical programme of cost reduction and the sale of the diesel engine business. The following month Lord Cole, previously chairman of Unilever, was appointed chairman and Ian Morrow became in effect chief executive, chairing a newly created four-man executive committee, responsible for the day–to–day management of the enterprise. They soon concluded that the contract with Lockheed for the RB-211 had to be renegotiated. Tense discussions continued throughout the ensuing winter but remained deadlocked. Lockheed believed Ian Morrow was bluffing when he threatened liquidation, but he was not and in February 1971 Rolls Royce went into receivership. Taken aback and with no other manufacturer able to supply its engines, Lockheed returned to the negotiating table. A new contract brokered by Ian Morrow was signed in early May and the government announced plans for the acquisition of the majority of the assets by Rolls Royce (1971) Ltd later in the month.

Ian Morrow was appointed deputy chairman and joint managing director of the new nationalised company. He had no intention of remaining as executive director for long, assuming that he would succeed Lord Cole as chairman when he stood down. By the summer of 1972 Rolls Royce was well on the way to recovery and the board began a search for a new chief executive. When their nominee
proved unacceptable to the government, Ian Morrow was furious and he resigned as managing director in October in a blaze of publicity. Although he denied that there was any rancour between him and the government, those who knew him recognised that ministers had contravened his principle of being given a free hand in choosing and retaining staff. He remained as deputy chairman of Rolls Royce (1971) Ltd until October 1973. In the Queen’s Birthday honours in June he had been appointed a knight bachelor in recognition of his enormous contribution in the rescue of Rolls Royce. His involvement with Rolls Royce had forced him to postpone his presidency of ICAS. He was Vice-President from 1970–72 and President 1981–82.

His high public profile over the previous three years meant that Ian Morrow was not short of offers of directorships after his resignation. The early 1970s were difficult years in the City with the financial sector, particularly the secondary banks, adversely affected by the credit squeeze. One of the secondary banks, which got into difficulty, was the J H Vavasseur Group, which in January 1971 had acquired Barclay Securities for a reputed £18.5 million. Barclay Securities contained a ragbag of companies acquired by its founder John Bentley, one of Jim Slater’s early lieutenants at Slater Walker and a well-known asset stripper. The Vavasseur Group had also made ill-advised purchases in Canada, Holland and South Africa. By the end of the year the group was in serious trouble and the Bank of England lifeboat launched to go to the rescue of such unseaworthy institutions imposed stiff conditions before taking Vavasseur in tow. These included on Hambros insistence the appointment of Sir Ian as a so-called financial adviser and then chairman. He installed the young Clive Hollick, a Hambros director, as managing director and, with great skill, they set about a programme of disposals and reconstruction. In May the loan stock of £16 million, which had been used to finance the Bentley deal, was halved by the simple device of giving the stockholders 80 per cent of the equity. The capital was again restructured in February 1975 by which time
there was light at the end of the tunnel. Early on Sir Ian and Clive Hollick had recognised the importance of training, particularly in money broking, as they could not afford to recruit experienced staff. This proved effective as staff trained in-house were remarkably loyal and allowed Vavasseur to become one of the largest money brokers in the world. In commenting on the 1974/75 accounts, Sir Ian noted dryly that the company had carried on ‘with the support of the Bank of England ‘Lifeboat Committee’ on the understanding that the company would carry out a policy of orderly realisation of assets until . . . it became a viable operation’. The bulk of the business was merged during 1977 with the money brokers Mills & Allen. Two years later all the emergency loans had been repaid. Sir Ian continued as chairman into the 1990s.

ICAS was still determined to draw on Sir Ian’s talents and in 1979 he had the unique distinction of being appointed vice-president for a second time. He had continued to serve ICAS in a number of ways, particularly on its London committee and had been a regular participant in its golfing competition. He was president from 1981–82. With long commitment to management education and his wide corporate experience, he was ideally suited to the task at a time when EEC directives were changing standards and rules of disclosure. Despite the fact that he was aged 70, he showed little sign of slowing down, accepting a raft of new directorships in 1983. Ian Morrow had one last major challenge to confront when he became involved in the difficult task of trying to resolve the plight of the Lloyd’s insurance market in 1985. Unlike most of his previous assignments, this was not simply a case of incompetence but fraud. Contravening all actuarial principles, some syndicates had invested members’ money in a range of offshore speculative ventures in which the managing partners themselves had interests. When these had gone wrong, the syndicates were left with massive shortfalls to meet claims for which the members were personally liable. Many members faced personal ruin. In July 1985
Ian Morrow accepted the post of chairman of a new underwriting agency formed by Lloyds to be responsible for managing the affairs of the 1,500 names facing losses totalling £130 million. Such was the confusion and lack of adequate records that Sir Ian’s strategy was the art of the possible. He refused to sue underwriters, such as Peter Cameron-Webb, believing that the costs of legal action might be more than the sums recovered. Instead he preferred to strike deals both with the rogue traders and the names themselves. He had his critics but, as in much else that he had done, he dealt equitably and with an eye to the future. His commitment at Lloyd’s left little time for other outside interests and he began to wind down his commitments. By 1990 he had resigned most of his directorships.

Sir Ian Morrow’s career spanning almost 70 years has taken him to the heart of British industry and commerce which, when he started out, were poorly managed. His consistent commitment to cost accounting and statistics has contributed directly to the improved standing not just of the companies he was directly involved with but to the whole culture of British management. As a Scots accountant concerned with corporate rescue, he is a worthy successor to those such as Sir William McLintock and Sir John Morison, who in the previous generation were called on to address very similar problems during the inter-war slump. However, he sees his role as different from theirs in that he believes passionately that it was his job to get his hands dirty rather than simply to reconstruct the balance sheet and leaving it to others to engineer recovery. Nevertheless his involvement with Rolls Royce, the secondary banking crisis and finally with Lloyds placed him at the fulcrum of the three key financial experiences of the post war years in precisely the same way as McLintock and Morison’s involvement with the Lancashire Cotton Corporation and the Royal Mail Group had put them centre stage in the reconstruction of United Kingdom manufacturing industry. In both British commerce and manufacturing these lessons are often forgotten. As long as he lives Sir Ian will continue
to remind us that what he learned in the United States half a century ago still holds true.

**Endnotes:**

1 Sir Donald Barron, who like Ian Morrow also pursued a career in industry, was Chairman of Rowntree Mackintosh (1966–81) and Chairman of Midland Bank (1982–87).


3 In the mid-1960s Lawrence Robson became a partner in Deloittes and in 1971 both Blackburn Robson Coates and Robson Morrow were merged with Deloittes which itself had a considerable record of similar industrial and commercial work.

4 Willie Risk had also been an early pioneer of budgetary control and standard costing. He had worked with Garfield Weston during the 1950s and early 1960s and was to be involved in many projects with Ian Morrow.

Where were you born?

My father and mother were in South America, in Peru I think. My father was very keen that I should be born in Scotland, so he sent his wife back on the liner, she got to Manchester and I arrived early. Fortunately she had a brother working in Manchester, so I was born there, but within a week or so I moved to Scotland, and I didn’t go back to Manchester until I was 25 or 26, when I went to work.

So, you were brought up in St Andrews?

Yes.

Where did you go to school?

Dollar Academy. I was a boarder there because my mother died, and my father was not in Scotland, so boarding school was a good idea.

And your father worked in India?

Yes. He was an engineer.

Was he managing a jute mill?

Yes, he was. He was the top manager. His jute mill was separately quoted.
So he was managing a jute mill in India, and you were at school at Dollar. How often did you see him?

About every three and a half years. He was off for six months, and so we saw him at age 12 and then at 16, and then at 20. He retired quite early, because he was living alone, aged 50, or so.

**Who was the family contact when you were at home?**

His sister had married his best friend, also an engineer, and he went to India as well, so my aunt would be home two years out of four. She’d come home early, six months before her husband was due his leave, and then he came home for six months and she stayed on, so there was a fair amount of continuity. The rest of the time we had housekeepers looking after us. I went to boarding school aged 12 with my brother at 10, and my sister went to St Catherine’s in St Andrews at the age of eight.

**When you got towards the end of your school career I presume you had to decide what your future was going to be.**

Yes, well that was quite simple, because I wanted to go to Oxford. The thought of gaining a rugger blue was my ambition, but my father said, ‘You’re no’ going to an English university’. He said I could go to any university I chose, but he meant in Scotland. So I didn’t go to Oxford. I then went into a jute mill.

**Which jute mill?**

A jute mill in Dundee.
Which firm?

One called Hill, but it was a small, private one and it was pretty tough. They specialised in training people to go to India, but after six months I decided I wanted to be a CA.

What was the blinding flash that made you decide this?

Well, a friend of my father, a very close friend, was the brother-in-law of the Professor of Accounting in Edinburgh and he took quite an interest in me. He suggested I go and see his brother-in-law, because he knew I wasn’t particularly happy in the jute mill. He didn’t talk me into it. He just said you had to do five years apprenticeship, that he wouldn’t bring me in to his firm because it was too big, and I’d be lost, but he did know a man called Marshall, who was very, very good. So if that’s what I wanted to do I should let him know. So I agreed, and I went to see Marshall, and I got my apprenticeship.

So which firm were you apprenticed with?

A firm called Dewar & Robertson. They were very small, just three partners. One partner became President [of ICAS], and then manager of one of the big groups. After I left, and years later he said that myself and a chap that became Managing Director of Rowntrees were the best two apprentices he’d ever had. I said, ‘well when I was an apprentice you concealed it from me very well’.

What was the character of the practice?

It was a very interesting practice. It had one partner who did a whole lot of industrial stuff, like jute industries, and all the big tea merchants in Edinburgh, Melroses and the like. They were very good, because they said in a year you’ll be doing such and such, and so we’ll put you on this and that, which will help you. This was very unusual. Then I qualified. In those days, the practice was you immediately went to
a big firm in London. I said, ‘I don’t want to stay in the profession, I want to get into industry’.

**Was that motivation to go into industry from the very beginning, having been in the jute mill?**

Of course. It was pretty well unheard of, because all the adverts said, ‘Chartered Accountant wanted, with experience’. And in the end I used to write, in exasperation, ‘how do you get experience if you don’t get a job?’ Anyway, by this time I’d been qualified for a year, and they’d been paying me £104 *per annum*.

**And you were just working as a junior in the firm?**

Yes. An ex-apprentice turned up from Macclesfield, where he was secretary to a soup firm. He said, ‘I’m looking for someone that wants to go into industry’. I’m sure my partner must have said, ‘Thank God for that, I can get rid of Ian Morrow’. So that was a stroke of luck, because they’d just moved their head office from London to Macclesfield, and the then Assistant Accountant, said, ‘I’m not moving to a dump like that, I’m staying in London’. So that’s how I got the job. But they were in trouble, they’d got in a firm of American consultants who were putting in standard costs, which in those days was pretty rare.

**What was the name of the American consultants?**

Stevenson, Jordan and Harris. They took an interest in the engineering. When it came to the accounting, they made a hell of a mess of it, and I had to work seven days a week.

**This would be about 1933?**

No it would be a bit later, about 1937.
The textile industry had really been through the worst of the inter-war crisis by then.

Yes, because there was very heavy competition from Japan, and it was a struggle. A company struggling is a much better experience than one that's floating along.

And what were they making with the silk?

They had started to make ties. They had been influenced by a financier in London who, when he bought a controlling interest, said we should make ties. He bought Swiss looms specially designed to make ties, put them in, and then he went retail, which was his big mistake. He sold them at 4/6d, in those days. They had been 7/6d, but because everyone else reduced them he thought he’d get the market. He put the price up but in the end he stopped doing the retailing and got agents, like everyone else. But it was fascinating, because of the problems which were coming up every day. Because I was the right hand man of the secretary, I had a lot of power. He controlled all the finances and everything else. The firm also did printing. Two kinds of printing, screen printing and block printing. It was a good experience. Then, the consultants asked if they could approach me, because they’d like to take me on. They said I hadn’t got much future here, because I was 26 and the secretary was 40 and he was very good. So I joined Stevenson, Jordan, and Harris.

What did silk weaving teach you about cost accounting?

Oh, everything, because the firm had got this system of standard costing. But they installed it, in a sense improperly. They were producing results which had no connection with the financial results when they came out. That was the job I had - to make it really work, which was a great experience.
And did that standard costing also transfer into the pricing policy?

Oh yes, that was one of the reasons, but we also split it into variable costs and fixed costs, because we said, if we cover our variable costs, at least we’re getting some cash and the fixed costs were pretty hefty. So it gave us flexibility. As the firm did everything, block printing, screen printing, spinning, weaving, it started with the raw materials. The man who installed the system said we must have it from start to finish.

Was that a completely new factory, if it started in this fashion?

They had built a new factory but they didn’t change the spinning. They put in a whole lot of new Swiss looms to do the ties, but they also had large looms for doing great big sheets of silk. I put in an incentive scheme. Each man had six looms to look after, and I said, ‘all we’re going to count is what you produce, we have no allowances for anything’. It can produce 10 or 17 yards an hour. I said, ‘we’ll discount that by 20% for changes in the loom etc’. The work people said, ‘you’re on’. Now in the weeks when they had to put in a new warp, they would lose, because that took half a day, but apart from that it made money, and there was no complaint, it was a picture on the clock, against x. No piece rate. The production went up like that.

So that was a lucky apprenticeship. Then, the Americans, the consultants, asked the company if they could approach me, and the firm said, ‘well, he’s going to leave sooner or later, because we’ve got nothing for him’.

What year was that?

It was 1938. I was with them for quite a while. I didn’t like the American chief, he was always trying to extract the last penny from his
client, but I got a lot of good experience, and I was the only accountant, all the rest were engineers.

**That was into the war.**

Oh yes, that was right into the war, and then in December 1942 I was applying for jobs in industry. I was reserve. I couldn’t be called up because of my job. Out of the blue a chap called Lawrence Robson asked if I would go and see him. He said that I’d written in reply to an advert, but he didn’t want to talk about that. He wanted to start a consulting firm that would do standard costs.

**And what was he doing before?**

He was in practice, a small practice. He was a very good salesman. He’d got three partners. And I said, ‘I’m not joining an accounting firm’, and got up to leave, and he said, ‘no, no, sit down’. ‘What do you want?’ I said, ‘I want a separate partnership with you, because you can sell, I can’t and I will run it’. He said, ‘alright, I agree’. And I went back to my wife and said, ‘He’s a nutter. He hardly asked me a question, and he’s offered me a partnership’. Anyway, he wrote a letter saying I agree to this. We started on 1 January 1943.

**Were you drawn into any of the activities of the Ministry of Production?**

Oh very much so.

**They were very interested in standard costs weren’t they?**

They were. We got the job of consultant to do the gun turrets at the back of aircraft. They had originally designed the aircraft without them, and fighters coming up from behind just shot them to pieces. So they cut the fuselage, and then clamped on these turrets. And the chap sat there on his own, bullets flying all around. They were well designed, and they needed a hell of a lot of help to get production going.
From various different locations, presumably.

Yes, they subcontracted, but they all came back for assembly in the West of England, where I was stationed. It was at this time that Lawrence Robson, asked to see me. He said, ‘I’ll make you a partner in my firm’. I said ‘we’ve got to set up a separate partnership and do nothing else except industrial cost systems’.

What was the mix of your business?

It was mostly manufacturing. We got asked to do the railways during the war, the railway workshops. They were in a dreadful mess. You see I’d been taught by my father that any machine is designed to do x per minute or per hour. I went into this machine shop with the boss, who was a very able guy, and I said, ‘I don’t think these are doing 60%’. He said, ‘absolute rubbish’. And I said, ‘alright’. So he put an apprentice on every machine and he kept it timed, and he was actually working 52% of the time on average. He said: ‘Good God, what do we do?’ And I said, ‘well, for example, have the next job at the machine before, the previous job stops’. There was no work flow. Do all the tool adjustments before the shift starts, the resharpening, and so on, and just go around and ask why the men aren’t working, why is the machine not working?

These were the repair workshops and even manufacturing workshops?

Well, they were repair workshops, but then repair with them was manufacturing. You see, they used to call in locomotives and say it’s due for an overhaul, so they would dismantle it and replace all the bits, and then set it up again.
And they were using standard parts by then as well, presumably.

Oh yes. For the different engines, from the high speed Pacifics down to shunters. They kept a fair stock of them. But they also had to make quite a lot of parts.

**Were there differences between Swindon and Cowlairs or would you not look at it on a national scale?**

They hadn’t really broken down the original companies. For example, when the train went non-stop from Edinburgh to London, at the place where they used to change from Great Eastern to something else, the crews changed. Well they just went and sat on the thing. They put a tunnel through the tender, and it was just out of this world. These chaps would be sitting, playing cards and enjoying themselves until they got to Edinburgh, and got full pay.

**You were looking at the cost of travel.**

Oh yes.

**How far were you able to address that? There must have been a huge number of demarcation disputes about that sort of thing.**

There was. We managed to point out what it was costing them. They saved a hell of a lot of money, because we said, ‘why is that train sitting in the siding for an hour, with a full crew before it goes off?’ They said, ‘well nobody has ever asked us that before’. We said, ‘you know the train has been there ten minutes’, or whatever it was. They were all comparatively small idle times but they worked up into a big thing. But there was a very rigid division between the people who looked after the trains and the people who looked after the passengers. We
did other things, beside that, but that was one of the biggest things we did.

So when it comes to the post-war world, you’re still with Robson, your partner. How does that change the mix of business?

Well, what happened was that one of the partners and I didn’t get on at all. He used to go for me, and I used to say, ‘this is no good Harry, what’s the sense of it’. So I had to say to Lawrence, ‘either he goes or I go’. And he said, ‘well you’ll have to go because you’ll get a job and Harry won’t’. I said, ‘well that’s fine’. So I then went around telling people I was a free agent, and was there anything they could do for me. Suddenly the chairman of Hambros said, ‘we’re out of our tiny minds. We make investments and we don’t know what the hell to do with them. We need you’. I said, ‘well I don’t want to become an employee’, so they said, ‘we’ll give you an office and a secretary, and then you’re free, but if you get offered a job outside, ask us if you’re needed, and if we say no, you can take it’. That wasn’t foreseeable, but that’s what happened.

So when were you there roughly?

Towards the end of the war.

And how did your consulting differ from people like Urwick Orr who must have been about the same period?

Well, I wasn’t really consulting. I became the boss, I changed from consulting. Hambros would just say, ‘you must save it at any cost’. It was nearly always a company in trouble, and I would say, ‘yes, I can save it, but you’ve got to give me £2M, or whatever it was, but you give it to me. I hold it in trust’.
So you’d just joined Hambros and you told me a bit about the business you’d been doing in Hambros. What were the first sort of contracts that you undertook for them?

Well, the first one was really Brush Electrical. They had lent a very large amount of money. It was run by a most extraordinary man who’d been pressing me for years to join him and I said, ‘no way, I wouldn’t work for you, for all the tea in China’. He said ‘Why’, and I said, ‘because as soon as you agree something with me, you’d go down the corridor and meet somebody else and change your mind. It’s nothing personal, I’m very fond of you, and it’s fine as a consultant’. So he then called me up one day and said, ‘I’ll be dead in two years. Do you want to see the doctor’s certificate?’ I said ‘no, I take your word’. He asked if that changed my mind. I said ‘well it’s a terrible thing to say to you, but yes it does’. And he said ‘right come in’. He was dead about a year and a half later. He was a lawyer and a highly motivated man full of ideas all the time. He lived in a house beside the factory, and 24 hours a day he was in this factory, and he ran around saying, ‘this is the best machine’. I then became Managing, well Finance Director at first, but not for very long, then Managing Director of Brush Electrical, which was quite a large company, and we got that in good shape.

Mostly electric motors was it?

No, it did turbines up to 100 megawatts, which in those days was quite big. Now, it’s 2,000 megawatts. They did a lot of diesel engines and motors and small things, so it was quite an empire.

Was it a conglomerate?

It was, but the whole idea was to provide power. We made a good job out of it and then it was taken over by Hawker Siddeley. We parted company then.
This is when Hawker Siddeley were diversifying.

That’s right, Hawker Siddeley were saying the aircraft industry in this country is finished, or minimal, and they bought it and after a year I said, ‘Look, you don’t really want me and I don’t want you’. They said, ‘no we don’t’.

So what date was that roughly?

It must have been the early sixties. Then Hambros tried to help me get a job, and they said ‘everywhere we turn we need somebody like you when we make a bad investment’. So I had a most peculiar relationship – they provided me with a secretary and an office, a telephone and a parking place for my car, and I joined the main board. I was Deputy Chairman for quite a while. And then they’d just come along and say they were in trouble with this or that investment, so I’d go and see and say ‘well you can do this or that’. But they also said I could do other things. So if another firm came along like Associate Fire Alarms, I said I must query it with Hambros because they’ve got priority. I’d tell them what I’d taken of course. With Associated Fire Alarms the banks were scared out of their lives, because so many banks were protected by Associated Fire Alarms. When the insurers said you must have protection, they’d go to the list and AFA were always at the top, so people would say ‘let’s have AFA’. The basis was tobacconists. Tobacconists could not get insurance without having fire alarms, and we could provide it.

And how had AFA got into trouble – just growing too quickly?

No, it was a man whom I’d met before and done some work with the Co-ops of Scotland. He was there, and he left them and joined this, and was fiddling the accounts. If he got a contract, he multiplied the annual value by ten, the profit and loss, so they’d go on for £1,000.
They could credit the profit and loss with £10,000, put £10,000 into the assets, as being the value. So in year two, he’d got an income of £1,000 and depreciation of £1,000 or more. In other words he had to keep on getting new contracts.

**So in other words the profit would just disappear?**

Yes. A chap in the *Sunday Times*, Kenneth somebody or other, exposed it, and then the banks got steamed up and they said don’t go bankrupt, keep it going, we’ll give you the money.

**Was that the first time you have been a Chairman?**

This was one of the early consultancies. No, I’d been with UK Optical, I was Chairman and Managing Director of that.

**AFA was so unusual because most of it was owned by the public?**

That’s right. But it was also unusual in that it had all these bank clients, who were desperately worried.

**And how long did that take you roughly?**

I think three or four years. I brought in a friend, Ronnie Hooker, as the deputy, and two or three others because it had no management at all. The invoices were months behind. The whole thing was one hell of mess.

**Did you have to put the price up in order to sort out the depreciation?**

Well no, the prices were all right, they just weren’t collecting the money.
And how did you address the balance sheet problems caused by crediting these vast sums to profit and loss accounts? They had presumably capitalised all their profits.

It didn’t take us very long. The banks didn’t want us to go bust. They just said we could have as much borrowings as we liked, and we gradually got it highly profitable. We obviously didn’t pay big dividends. In the end we got it right, and HMV bought it.

So the trip to the States in 1950 – why were you chosen to go to America?

I don’t know really except that the conception was mine. The Americans were inviting teams over, teams from individual industries, and general teams, and I’d got to know. I was still a very good friend of a chap who was working with a semi-government agency, involved in this, and I said, ‘well why don’t we send an accounting team to see what American accounting is like’. I meant commercial, not auditing. He said ‘I’ll drop in and see’, and they took to it. The English Institute pressed very hard for me not to be the leader, but I just said ‘get lost, I am the leader’.

Why did they not want you to be the leader?

Only because they thought the Scots [ICAS] was too small, and they were the dominant institution. We went by sea, and did prep, and coming back we wrote the report. I was told by a friend of mine, who was then involved in the public end of Ford, that we were the only team who came back with a draft report.

Did you visit factories?

We visited factories, various companies, to see what they were doing. The Americans were quite terrific – we said ‘how do you do, what’s your controlling information, what do you look for?’, and they
answered. We put all this into a book and it was a best-seller, translated into Japanese and French.

We had meetings all over the place. The FBI [Federation of British Industries] chap took a great interest in it and he arranged meetings all over the country. He took the chair and we presented. We started out with sort of set pieces, and he said, ‘that’s no good, I’ll ask you questions and you answer – we’ll agree what the questions are and you pick up so and so and we’ll get it going’. The only thing I can really remember is that somebody asked me ‘Do they work harder in America than we do?’ – I said not noticeably, and a friend of mine said ‘well, they’re more active more often’. Our report helped my career quite a bit.

Can you think of any firms that actually learned anything from these presentations you gave?

I think quite a lot did, because they would follow it up and ask me what were we really talking about. Really the basis was what my father had taught me – that if you’ve got an investment in plant or machinery, you must run it the maximum hours you can. And you must measure it. The Americans do this, the Brits don’t.

And so you put in systems for work flow and so on?

That’s right. I told them what to do. And that’s what I always did when I went into any manufacturing company. Invariably you found they could do more without spending up.

So manufacturing was the bulk of your activity?

Yes, because to me it was the most interesting, but not exclusively. I got involved with various higher level, but purely selling organisations. But manufacturing was my first love.
When did you get involved with Kenwoods? Was that when you were with Hambros, after Brush?

Yes. Hambros had put money into Kenwood, and it wasn’t going too well. I went and had a look at it, and I said ‘it’s not producing the right stuff etc, etc’. They said ‘we’ll bring in Ian Morrow to have a look’ and Ken Wood said ‘no, I’ve got everything right, and he’ll get all the credit’. So Hambros said, ‘OK, we’ll not put him in now’. Ken didn’t produce what he said he would. He was still going down, so in the end they said ‘Ken it’s simple – you either pay us back or you have Ian’, and he said ‘well, I can’t pay you back, I’ll have to have Ian’. And he was absolutely splendid.

Is Ken Wood a member of the family?

Yes. His name was Kenneth Wood. There was no friction. I said ‘this machine’s only running half time, I’ve been standing here for an hour’, and he said ‘what do I do?’ I said ‘well material’s not coming through’. He had a small mixer and I said ‘every time you get an order for that, take a £5 note send it, and you’ll be better off’. He said, ‘what the hell are you talking about?’ I said ‘you’re not covering your variable costs’. He said, ‘do you know what the hell you’re talking about’. I said ‘there’s your Finance Director, ask him’ who said ‘I’m afraid Ian’s right’.

And did the Finance Director know that before you turned up?

Oh yes. He never said anything about it. Ken dominated the thing. The problem was that his mixer was hugely profitable but he said, ‘having to rely on one product is not good business’. He tried fridges, and I said ‘it’s ridiculous, anybody can make a fridge, you buy a compressor from Glasgow, you get somebody to make an insulated box which takes about two weeks, put this compressor in, you’ve got a fridge’. I said, ‘to make one of your mixers you’ve got several years of hard work,
that’s why you’re getting walloped’. Then he said, ‘what do I do’. I said, ‘don’t tell people you’re giving up fridges because immediately the market will go woosh’. So you just say quietly, we’ll move the mixers into the fridge factory, which was a lovely new factory, and we keep on making the fridges until we’ve used up all the stock. Because it’s much better to do that. So big Ken said quietly ‘we’re no longer making fridges’. I was chairman for quite a while, until we sold it. It was bought by Thorn Electric.

By this time, you’d set up the British Institute of Management, is that right? Cost control was your idea, was it?

I’d been to America where they all knew their costs. Here they don’t, and they [the Americans] would have their best management in production. Here the best management are in development. I said, ‘we’ve got to imitate and learn from the Americans’, which a lot of companies did, certainly a lot of Hambros companies, because I insisted on it. Hambros said to me ‘as long as you say it’s alright, we’ll lend the money’. If you say it’s not alright, we’ll call the money in. I was totally independent at Hambros, and I told them, ‘I’ll always give you priority’. So if somebody asks me to do something I’d go to Hambros and say ‘now look, I’ve been asked to do this, have you got something looming’ and they’d say ‘no, that’s fine’. It was an extraordinary relationship.

So you were also keen, because of that to have more effective management training?

Oh yes, and I’d set up a lot of training schemes inside places. At Brush we had both electrical and mechanical stuff – we started a training thing where we took engineers and made them do accounting, we took accountants and made them do production control.
And that was why you were interested in the British Institute of Management?

Yes. People used to ring me up and say, ‘have you got any more guys’, and I’d say ‘you make your own bloody group’. Even now people say that the training you gave me changed my life. And it improved our management enormously, because the production boys weren’t frightened to challenge figures, the figure boys weren’t frightened to challenge production techniques. A lot of them got very good jobs. It improved our productivity enormously. I was very keen on productivity, half of British management don’t even know what you’re talking about.

I can see that. That has a dramatic knock-on effect.

And so, you have this wealth of experience in rescuing companies that were in trouble. Rolls Royce, how did you become involved in that? Was this before the government became involved?

Well, what happened was that a very eminent accountant, I think he was South African, had the ear of the Prime Minister. He rang me and said ‘you’ve got to take this on’, and I said ‘No, I’ll go and have a look at it first’. He said ‘that’s OK’. And I did look at it and spent a few days there, and I said ‘they haven’t a clue what they’re doing … they’re in a mess, the engine’s not working, they don’t know what to do –it’s awful’. So he said, ‘well join the board’. I said ‘no, not until the AGM is over’, because that was going to be red hot. I said, ‘I’ve got no intention of standing up and being criticised before I’ve been in the company. Once that’s over I’ll take it’.

I knocked the cost down, increased production. This wasn’t difficult for me, I knew what I was looking for. I said ‘you are taking far too long to make an engine because you don’t design the bloody things until it’s on the shop floor, there’s far too much design work
being done during production’. They said ‘you’re right’. And I said ‘well just bloody stop it’.

**Presumably they must have had a question about how they worked their development costs also. Were they simply writing their development costs off immediate production.**

Yes, because they’d capitalised all their developments, and were writing off 10%, but every year they’d write off more. This was public and nobody said a word. It was there, on the sheet, capital investment and development costing so many million. In the end, I had the Managing Director from America, a big customer, and I said ‘I want 10% more’. He said ‘I’m not giving you that’, and I said ‘well, if you don’t the company will go into bankruptcy tonight’. He said ‘we’ll meet tomorrow morning’. And Rolls Royce went into bankruptcy and paid out. The government made sure we paid everybody. Nobody was worse off, but they broke the contract.

**Was it entirely the Conservative government you dealt with?**

I was dealing with the civil service mainly, who were very, very good. They said I was very, very good. They said we have never been asked a question we couldn’t answer, because you brief us so well. Every Friday afternoon I went in and saw my liaison manager who was an engineer, ‘this is what’s happened this week, and you can ask questions and I can give them an answer, and if I can’t answer it I’ll write it down and you’ll get an answer on Monday’.

**Was this in your role as Chairman or Deputy Chairman?**

I was Managing Director and Deputy Chairman.
In a company like that, did you try and get along with the workforce - you weren’t just simply the management – a remote figurehead?

No, I made a decision to visit and talk to the people, so they could see me, but I didn’t interfere with the structure. They’d try and raise something with me and I’d say ‘that’s an important point, I’ll ask your MD, but I don’t know enough of the background and I’m not going to start and get involved’.

It was a great surprise to the press when you left suddenly.

Well, I got very frustrated because Heseltine came in, the final straw. He was only No 2. His boss was not a politician, but he and I got on extremely well. Heseltine bloody well said I could not make a single appointment without his authority. And I said ‘look, I don’t give any contracts other than the normal six months, I’m not going to have this. It’s not necessary, if it’s a top appointment of course I’ll talk to you’. He said ‘no, not without my authority’. I said ‘well in that case I’m resigning’. And there was surprise and uproar about it, but I said ‘I am leaving’. Heseltine wouldn’t give way and his boss wasn’t tough enough to say stop your bloody nonsense. It was stupid. I mean he didn’t even say ‘what will you have?’

He just said this is what you’ve got, take it or leave it?

Yes. And yet, the civil service were very happy with me.

After that you take up the Presidency [of ICAS], which you had to delay.

That’s right.
Did you make a difference, do you think, as President?

Yes. I made the Council more involved and by saying ‘this is a problem, let’s set up a sub-committee to report back to the Council’. I made them have a policy that we must be independent of the English, but do enough good work to justify our independence. Of course, today, with home rule for Scotland, it is quite different, but it wasn’t in my time. I then became President of the Institute of Management as well.

Did you try and stretch the syllabus of the Scottish Institute?

I changed it a bit, but not much. I said, ‘look, fundamentally we are accountants, and we’ve got to be good accountants. It doesn’t matter if we don’t know much about management, we can learn that’. At that time, there were all kinds of things floating around and being pushed in. I said, ‘you must not dilute paid apprenticeship, you must keep it up to date and always be ready to add things and take things out and so on’, and they did, but there was a feeling that we must make a noise, and do a lot more in organising companies and so on. I said, ‘that’s not what we’re here for, we’re here to be the best accountants’. I said, ‘I shared digs with doctors, and doctors go on learning long after qualifying, you can do as such’. I didn’t think just because you’ve got your CA you can sit on your bottom for the rest of your life. So now, they have post qualifying education.

So you were President for a year?

You are Junior Vice-President then Vice-President. I had meetings practically every Monday morning, with the future Vice-President and the Secretary. I said, ‘when you come you’ll know what’s due’. And they told me, ‘do you know, what you did was fantastic’. They’ve stopped it now. I said ‘that’s stupid’. He [the future Vice-President] said, ‘when I came on and discussed things, I knew what to do’. I
would say we have to talk this out because it’s very important. So the decision-making process became efficient.

Do you think that’s long enough to make an impact? Do you think it would be better to have a longer Presidency?

I would think you should have longer ones. I had the junior Vice-President, the Vice President, and myself so they got three years altogether. When they became President, the same things we had been discussing were just going on, or something had been settled, they knew why it had been settled and said, ‘you made a balls of it’, then they could respond one way or the other.

But it must have been an enormous commitment, for somebody like you to have to give up a whole year. That’s a great lump out of your working life isn’t it?

No. I said I’ll be in Edinburgh every Monday morning, we’ll have a meeting, I want all the social stuff on a Friday night if possible. Most of the practising accountants in those days took themselves out for a year [when president], and they were a bloody nuisance, because they were always interfering. I said to the Secretary, I can’t do that, but I’m available any time. It worked extremely well and now practising accountants go on doing a sort of half time.

So having left Rolls Royce, you went back to Hambros, and you were ICAS President. So what was happening the other four days of the week?

I’d need to look up my diaries. I was with Kenwood, as Chairman, and more or less semi-Managing Director. I stayed with that and Associated Fire Alarms for a long time. I had six or seven directorships.
And then presumably in the middle or just after all this, the secondary banking crisis comes along?

Well, that was the big one, and you see Hambros had an interest in secondary banking. They said to me ‘you’ve got to drop everything’, and I said ‘I can’t but I’ll drop enough, because we have a big investment in this secondary banking’, and it was the first one to go down.

Was that Cedar Holdings?

No it was something else. They said the only person we can give you is the 25-year-old Hollick, who was a pain as far as they were concerned. He was very bright, but very left wing. So Hollick, and I did an analysis of the company and found we were minus £73m.

This wasn’t Vavasseur.

Yes. We said ‘we’re minus £73m, and what are you going to do about it?’ Hambros said, ‘fortunately the Bank of England came in with a lifeboat’.

You were involved in the discussions about setting up a lifeboat?

No. They did that very quickly. We were very surprised. First of all everybody laughed their heads off then suddenly they went bang, bang, bang and they realised that the whole damned structure was completely rotten. Now, we didn’t go bust, and we became a powerful company, still powerful.

What was your strategy for reconstructing it?

Well, we said, ‘what can we make money at?’, and anything we couldn’t make money at we got rid of. And in effect, we got rid of everything. But they had a bill posting company for some reason or another, and
that brought in money, so we developed that. They also had a money broking company, and that we built up and controlled.

So they got rid of all the secondary banking, the Bank of England covered the £73m, and then we developed the bill posting. The other thing was money broking, and we went in. One of things I said was, ‘we’re going to train’, because they spent their time trying to pinch staff from each other, at great expense. So I said, ‘let’s have a place where there’s all the machinery and they can check people and when they’re reasonably good you can put them on an actual machine under supervision. If they’re any good you can keep them or you get shot of them’. So instead of spending our time running around hiring people we started building trainees. Of course, people cottoned on and started pinching them, and I used to ring up and say ‘why the bloody hell don’t you run your own training scheme, I’ll tell you how to do it. Leave my people alone’.

Were most trained as money brokers?

They all trained as money brokers. Those we trained stayed with us. They’d come and say ‘I’ve been offered X but I don’t really want to take it’. We’d say, ‘we’ll pay you X’ or we’d say ‘sorry we can’t you’d better go’. And we built up one of the biggest, if not the biggest money brokers in the world.

But that must have been quite early into money broking wasn’t it?

No it was there, but mostly with small companies. Goldsmith and people, but we were the first to make it important.

Did they have property interests as well?

We had property interests which we got out of. We didn’t make a huge loss, because everybody else was selling off. We said to the bank
‘we don’t want to sell, we want to sweat it out’, and they said ‘alright, you can do that’. And so we got good money for that.

**Did they have a loan book as well that you had to put right?**

Not much of a loan book. The big thing was money broking and they had some loans on property and stuff, and we got rid of all that.

**Was that the first time you’d been in a financial services company?**

I suppose it was.

**There’s nothing much different from ...**

No, it was the same old story. Costs against income, and can we improve the ratio, which we did. As I say, our big contribution was training our own people because you used to go out and pay people £500,000 to come. We trained them up, and of course people started pinching them, but they were surprising loyal. So we had very good working people, and meetings regularly, in central London. And then I said to them, I always remember this, because I was very surprised, ‘now we’re going to open up in Germany, and we, the company, will subsidise you for six months’. This is Vavasseurs. ‘At the end of that if it’s not going the course, we’ll close it down, but at the end of that it should be good enough to pay your extravagant salaries and commissions’. They said ‘no’. I said ‘what do you mean no’, and they said ‘no, we will suffer the loss as employees. You have been very fair and we would rather take it on the chin. And we know we’ll lose money, inevitably’. I said, ‘well, I’ve made the offer, you’re turning it down, and I accept your decision with gratitude. We’ll support you in every way’. And of course they worked, and they said ‘what’s happening, what should we do etc’. They were all very blunt about it and they’d say ‘this is the decision, is that what you want? Does that satisfy you’ – ‘yes, that’s
sir iAn mOrrow

fine, do it’. Hollick was very good on it, but I was in that up to here for quite a while.

**And you continued as Chairman and he became Managing Director.**

I continued as Chairman for years. Hollick became Managing Director. I used to see Hollick two or three times a week because he needed somebody to talk to and when I left the board, one or two board members said he’s missing you. I never had a row with him, I never said no, I just said ‘well, you know ...’.

**And what was his background?**

He came from a working class family but he had a degree from Sheffield, I think, in economics, very bright. Then for some reason Hambros took him on and he became a Director at Hambros, not Hambros the holding company, Hambros the working company, and he became Managing Director of Vavasseur.

**Was that the last really big reconstruction you did?**

I suppose it was really. I also did one or two quite small ones.

**Presumably Lloyds was a wholly different sort of experience. Did that also come from Hambros?**

No, that came from a very well known accountant. He’s one of those very outspoken people. He came here from America and built up this company’s London branch and then he gave up and became a freelance. Then he got into Lloyds and he rang me up and asked me to come.

**Was he American?**

No, he’d gone to America. He said ‘you’re working for Lloyds now’, and I said ‘what are you talking about?’ He said ‘well, we need you’. I said ‘that’s a different matter. I’m prepared to look at it’. They’d got
themselves in a hell of a mess because one or two of the syndicates had cheated. They’d used the clients’ deposits in other investments, and lost, God knows how much money. They said ‘you can do anything you want’. So we had to repair the damage, get it going and pay off the claims *etc*. The bloke I worked with said ‘in three days you’d worked out the scheme, and we never had to change it’.

**This is the scheme whereby all the members had to share in the loss?**

That’s right. But the members of the syndicate had won, because we had no idea what we’d lost. I said everybody should be paying the equivalent of the money they would expect to get. In other words they would say we were expecting to get £20,000 a year, we’ll pay in £30,000, and they all accepted that as equitable and said ‘why the hell didn’t we think of it’.

**They would lose everything down to their last farthing wouldn’t they?**

They would, but Lloyds didn’t want to do that for obvious reasons, and we said ‘if you pay us, you’ll get complete freedom’. If they’d made people pay to the last penny, Lloyds would have been finished.

**It’s staged a sort of recovery hasn’t it?**

Oh yes, it’s never going to be the Lloyds it was, but it’s staging a recovery.

**Were these syndicates not required to produce balance sheets and profit and loss accounts?**

Oh they did. It was only a very small number who got in trouble. People forget this. They thought the whole of Lloyds was in trouble. It wasn’t, and this was because the main chap rushed out to California and he’s still there because there’s no extradition treaty with California.
So you could never question him about what exactly had happened, you just had to guess?

Well, we had a fair amount of information. They borrowed the money and invested in various things, mainly film making. Why the hell they took film making I have no idea, it is bloody risky, but they did. If they’d gone into making shoes or something they’d have been alright probably.

But it amazes me they had no sense in which the portfolio would need to be balanced with some readily realisable securities in case of trouble.

Oh they had some of that, but not enough. You’re quite right, they took far too much out of their syndicates. Lloyds just said, you can have anything you want as long as you get it out of this mess.

So your status in the City by the time you’d come to the end of your career must have been very high indeed?

Well I think it’s quite well known. I’ve no idea … .

Did you see yourself as one of a breed of Scots accountants who could come and do these magical things?

No.

There had been predecessors, I mean, Thompson, Sir William McLintock was of a similar … .

No.

You think he was just a balance sheet man?

I knew him very well and had great admiration for him, but they would go in and, in effect, either sell the company or liquidate it.
I agree with you, he didn’t really address the underlying management problems.

No, he didn’t. I mean, they did a good job, but the ones I’m talking about were too far gone, to have any value.

They couldn’t be resuscitated?

Well, they could be but only if you’re going to go in and manage them.

And that, in Sir William’s view, was somebody else’s job?

That’s right. And it was. There’s a few people now doing the same thing. But it was a pure fluke. Going back again, I was always, as a consultant, interested in how things were run, and the decisions made. You know, you’ve got all these assets, you’re not using them properly etc. I’d say ‘you ought to be able to use it 90% of the time, and you’re only using it 50% or something’. And I’d look at all these things. But McLintock’s ...

They would just try to make sure ...

They would say to the manager, let’s keep on here, if they started what I would call a normal job. They saved a lot of companies.

But they got somebody else to do the dirty work?

That’s right.

Did you see yourself as changing the Cost and Works Management Institute. Do you see any successors following in your wake?

There’s been a few. It’s risen in its reputation and spread and everything else. Somebody, a couple of years ago said, ‘I’ve been studying the institute, and they had a very, very good Secretary, and he’d been there
a long time. You and the Secretary revolutionised it, do you know that’. I said, ‘yes, we did it deliberately, but we didn’t tell people we were doing it’.

This is the Cost and Works Management Institute?

Yes. We wanted them in effect to be management accountants, not cost and works accountants. Or, not cost accountants.

Who was the guiding light behind developing it?

Well this chap, the Secretary, was the guiding light. He’d been Secretary practically from the onset. He was very good with the financial analysis. They always had money. So if some opportunity came up, they could take it. He kept improving and improving and then we got the big break … the American Government started welcoming teams from industries or to look at companies. Stanley Berger and I said why don’t we set up an accounting team, industrial accountants, not auditors, to go to America, and we floated over and Major or General somebody or other said this is very good, and a very interesting concept, I’ll see what we can do. We had representatives from each of the accounting bodies. We had a very good team, because we’d picked them for their abilities. Coming back by sea I said ‘you’ve got to write this up, and you’ve got to write that up’. When we got back to England we’d got a draft report. A friend of mine who was then involved said, ‘you were far and away the fastest report. You arrived back with a first draft. Nobody else did that’. I couldn’t understand it. What’s the use of coming back from America in five days, and not doing some work. He said ‘others took months and months. You were published within a month or six weeks’. Well I wasn’t conscious of doing anything special.
When you looked towards the end of your career at management, do you think it improved at all?

Oh yes. Management’s miles better now. I still don’t think boards get involved enough, they don’t get the reports or they don’t ask for them. And I don’t agree with executives being on the board at all. The American’s won’t have them. But then we’ve got to dream up. If you said to them will you be on the board or do you want to be the Executive Vice President, they’d say I want to be an Executive Vice President. And most of their boards will only have the President on and the finance members. In America, the successful businessmen reckon it’s their duty to be on other boards. I’ve a huge admiration for their boards because they really get down to it. But here, the board are hoping the quicker it’s over the better. Unless they’re in trouble and then they don’t know what the hell to do. That’s where I come in, or used to come in.

Presumably non execs weren’t quite so common when you started your career?

No, they weren’t.

Presumably they had family connections, being on the board?

Quite a lot did. A few were beginning to get good people. For example, the ICI Board, had about two non execs.

Did Hambros appoint non execs? Did they insist on having some?

Oh yes, if they put money in. There were four or five of us. We were independent of Hambros in the sense that all they gave us were an office and a secretary, and they never once tried to make us change our view because it didn’t suit them. So they could say to the client,
these people are experienced people, their loyalty is to you, that’s our agreement with them. If you don’t take them that’s up to you.

What Hambros were effectively doing was putting venture capital into …

Yes. They had a venture capital fund, and they admitted this. They said we put money in, and when we started we hadn’t a bloody clue.

Who were the great accountants you knew in your career?

Well there was a chap at Peat’s, I’m trying to remember his name, he was terrific, and of the Scots there was McLintock.

Do you know John Morison as well?

I knew him. He was good. Archie Forbes was good, and then there was, an Englishman, I’m trying to remember what firm he was, but he did a lot of good. You see in my time it was revolutionary, because they were moving from just being tickers into interferers.

I suppose the post war Companies Act did a lot to help that?

Oh yes, it did. Robson Morrow was the first accounting firm that did nothing else but consulting. Lawrence said to me ‘you know, you’ve revolutionised the whole accounting profession’, because when they discovered that we were charging £300 a month, which in those days was a lot of money, they said ‘we must get into this’, and they picked up people. Lawrence was the salesman.
So prior to that being set up you would have to go to Urwick Orr, or they wouldn’t know how to do it, they wouldn’t know what to do.

Well, Urwick Orr were primarily time study boys. And that’s alright, but having established time study standards, unless management uses them, is a waste of money.

_and that’s where you came in?

That’s right. We would say, ‘you should get 30% more out of this plant or this machine’. Then we’d tell them what their variable costs were, which they didn’t know, and the fixed costs. Urwick Orr set a benchmark, they did a good job, they were the first here to get a national reputation, but they tended to be more on the sales side. They really were the first and then various others came in. We came in, in 1942.

How do you view a profession [accounting] that’s so dominated by such huge firms. Do you think that’s a good or bad thing?

A bad thing.

You’d like to see more small practices?

Well, medium practices. If you’re too small you’re worried to hell by one client if he says ‘I’m fed up with you’. The advantage of the big companies is saying, ‘chum we’re fed up with you, and if you don’t mend your behaviour we’re going to resign and that’s not going to do you any good at all’.

Do you see those big firms fragmenting?

Well, the trouble is, it’s our fault, my fault. They started doing consulting because they saw we were doing it. And then they started going into non-accounting stuff, time study and all the rest of it. They ended
up making far more money out of consulting than auditing. This is a fact of life. I’ve accused them and they’ve admitted it: they would say to somebody, ‘you give us some consulting work and we’ll reduce the audit fee’. I said, ‘to me, the audit is one of the most important things in the world, because an audit report made in Timbuktu should be just as good and as reliable as one made in London’. That’s what the profession’s for. You should be made to divest yourselves of these non accountants. I was in a meeting once and said, ‘now look, will you deny that you will reduce an audit fee in exchange for consulting’. They said ‘well, maybe’ … and I said ‘come on, I’m asking a straight question’. And they said ‘we would’. I said, ‘that demeans the audit, and the audit is one of the most important things in the world of business’. I don’t think they should be allowed to do it.

**One of them, Arthur Andersen, has split.**

That’s right. I said this to Lawrence. When he said, ‘come and be a partner of mine’. I said ‘no Lawrence, I don’t want to be a partner in your accounting practice, it’s got to be totally separate’. That was away back in December 1942. And in the end he was so keen, he agreed, that we would start Robson and Morrow up. We were offered, every month, audit work. We said we don’t want it. We don’t know how to do it for a start. Lawrence said practising accountants were recommending us. And I said, ‘of course they will recommend us if we start taking them, but we don’t know how to do it, we don’t want to do it, so what the hell’.

**And he kept his accounting practice going?**

Yes, he was the link but we had nothing to do with his practice. If they got us a job we paid them a commission.
And Robson Morrow still exists?

No, it got taken up by Deloitte’s. They called it Deloitte Robson Morrow for quite a while, but now it’s just Deloitte Consultants.

Does it have the same philosophy underneath it?

I’ve no idea.

And what happened to Lawrence Robson - is he dead?

He died, he was about eight years older than me.

And he remained within the two practices for the whole of his career?

Yes. He invested personally. He wanted to set up himself or his son as the landed gentry so he bought 2,000 acres in Oxfordshire and then 30,000 acres in Scotland. He put himself into debt. We used to give each other lifts from London to where we lived which was about 50 miles apart. I can remember him saying, ‘you know, Ian I’ve got a new farm manager, and he says we’re making a good profit. But we always have to keep putting money in’. I said, ‘Lawrence, for Christ’s sake, you’re losing money, and you’re losing a lot of money. Go and see what’s wrong’. He said, ‘oh I’ll do it tomorrow’. The next day he fired the farm manager. But he didn’t know anything about farming, he was keen on it because he wanted it for his son. His son now sits on 2,000 acres and is the local gentry which is what Lawrence wanted. That was always his ambition. He was quite an extraordinary man. I never had a cross word with him. I never in any way felt he was doing me down or that I couldn’t trust him.

Was he a Scots accountant as well?

No. His father was a skilled worker in the railway workshops in Darlington or Doncaster, and his mother was very ambitious for him
and made sure that he got his qualifications, which must have been quite tough for him. She was a right old battleaxe. His wife had trouble with her, and they built her a house in the grounds, they got shot of her. But Lawrence was an extraordinary chap. In the end I wanted to go back but he had a partner, who perpetually criticised me. I said ‘look Lawrence, either he goes or I go’. Lawrence said ‘well he’ll never get a job and you will’, and I said ‘I’m off, OK’, and that was it. I’m quite glad, very glad really because I would never have done what I did if I’d stayed on as a partner. I would have been a consultant for the rest of my life instead of going in and being the boss.

**And did you do much with the FBI and later the CBI?**

I was on the main board. I enjoyed it, and they listened to me. It was a private meeting and you could say what you liked.

**Do you think it was effective?**

Yes, they were quite effective in those days, I don’t know about them now. Then they represented manufacturing industries very much, which I was closely involved with. It had nothing to do with the unions so it was able to say this is wrong, and that is wrong, or this is good. They’re not the power they were, but I think they still do a lot of good, quietly.

**Were you involved in employer’s associations that dealt with the unions, and collective bargaining, or did you try to avoid that?**

I tried to avoid it. With the unions you’ve got to be man-to-man.

**Did you find them on the whole co-operative in these rescue operations?**

Oh yes. They were very frightened. I made it clear, you either co-operate or I walk out and you’re bust. I didn’t put it quite like that.
I played fair, obviously, but I said ‘you’re not running this company, I am’. I can always remember one chap, to be fair he was quite good, who came with some impossible demands, which had been forced on him by the shop steward. I said ‘these are very large demands that you’re making and I’m not going to give in. We’re not going to meet for three weeks because I need that time just to consider what we’re doing’. He moaned and said ‘how am I going to keep these guys happy for three weeks’. I said, ‘that’s your problem’. At the end of the third week the workforce stopped being awkward.

**One thing we haven’t covered, to go right back, is the work as Controller of International Refugees, when the Americans wanted out of running the refugee camps. Was that just a straightforward contract?**

Well, yes. I was an Honorary Under-Secretary. Whenever they were asked who I was the British Government said I had the rank of Under-Secretary, which surprised me.

**Who drafted you in to do that?**

That was Lawrence. He had a Major General as a neighbour, who was a right bastard in his way, but he got pitched in to be the Deputy Director General for Europe after the war, dealing with all the refugee camps. He said, ‘first thing I want to know, is our control watertight?’ I said ‘you’re saying exactly what was said in 1918’. He said ‘well was it’? I said ‘yes’. Every accounting firm was sent in to see that there was going to be no scandal. Then the powers that be, or the Americans, said we want out of running these camps in 90 days. Lawrence came to me and said ‘do you think you can do it’. I said, ‘I can on one condition. That whoever I want in any of the offices is in Geneva in 24 hours and at my disposal’. The Deputy Director General, who was a fiery little fellow, agreed to it. Then I asked for somebody and he said ‘you can’t have him’. I said ‘you agreed’, and he said ‘no, I haven’t’. I said,
‘send for the minutes of the meeting of such and such a date, which
you signed, and you’ll find that you did agree that’. ‘Bloody nonsense,
Morrow’. Anyway he shouted at a poor girl, who immediately burst
into tears. She brought in the minutes. He said ‘you’re right. I was
wrong. Tell me what you want’. I gave him full marks. From that
time on if I wanted something he said ‘don’t worry’.

The bulk of your work was really controlling the costs of
these camps?

Yes, I suppose it was in a sense. Their food was far better than they’d
be getting in England, so I said, ‘it’s not bacon and egg, it’s porridge’.

But presumably you were involved in processing all these
people?

We were putting them overseas, mostly into Palestine, in a regular
way. The Americans were bringing huge crowds and pushing them
to Palestine. Palestine at that time was a British protectorate so there
was a hell of row going on about this, and there wasn’t a damn thing
we could do about it, but it was very interesting work.

Were you based mostly in Geneva?

Yes.

We’ve covered a lot of ground. Is there anything else that
you would like to say that I haven’t covered?

I don’t think so, I enjoyed being independent, which I made clear.

I can see you wouldn’t have fitted into a big firm very
easily.

Well, no, as long as I went in fairly senior it was alright. A chap who’d
been at the same school as I was, was head of Unilever. He was a very,
very nice man, one of the youngest chairman at 43. I used to go and
see him, and I said to him, ‘you know, I want to get into industry’. He said ‘there’s no way you’re coming in here, that’s not personal, it’s because you’d go crazy. We are a colossal organisation, with rules for everything and you’ve got to follow these rules if you want promotion, so forget that’. But he said ‘I’ll obviously act as a referee for you, or if I hear of anything I’ll let you know at once’. He was a marvellous guy, and he’d got real down-to-earth common sense.

**Do you still see him?**

He died long ago, at quite a young age. He’d have been 110 now. He was Head of Unilever when I was just qualifying. And he was a remarkable guy. Of course, Unilever is really the biggest company in the world if you take in all the bits, but they’ve always kept the Dutch and the rest technically separate, but they’ve got common boards. And the joint bosses. I don’t know why they’ve done that but they’ve always decided that was it, but the chap who’s head here has to get the agreement, but the bloke in Holland has to get agreement as well.

**So you have a system of checks and balances?**

Yes. They’re only selling soap and soap powders and stuff like that. So it’s quite fantastic.

**Did most of your contemporaries from school go into professional careers?**

They either went into the family business, which quite a lot of them did, and quite a lot went overseas, to India and all these places. We had a guy whose father made boots and shoes, in Perth, so he went back to that. My friend’s father ran a knitting mill locally which he made good money out of, so he went into that.
All of which have gone now?

They’ve all gone. Been bought up or something. But there’s still things starting.

That must have been quite a daunting prospect in the depression, to go and take over the family knitting business.

Yes, it was, because what mattered and still does, is salesmanship. You can get any number of people to make things, but if you can’t sell them you go bust. This chap’s father was a marvellous salesman, and he had a very good works manager. He used to come in and say ‘make these Jimmy, and get these out by such and such a date’.

You know, when I started I had no idea what was going to happen but I was determined about one thing, I was not going to become a practising accountant.
Sir John Calman Shaw
A Biographical Note
by
Professor Tom Lee

John (Jack) Calman Shaw was born in Crieff in Perthshire in 1932 to Arthur John Shaw, a schoolteacher (later deputy headmaster) at Strathallan School, and Dorothy Jane Turpie from Perth, a typist before her marriage. It was a sound middle-class background.

His paternal grandfather was a successful London medical doctor who had married a Swiss nurse and later moved his practice and family to Switzerland where his wife died relatively young leaving him solely responsible for a family of nine children. Grandfather Shaw had been an early advocate of radiotherapy, and opposed to surgery, in the treatment of cancer. This background provided Jack with an internationally scattered collection of Aunts and Uncles in France, Switzerland, Canada (latterly), South Africa as well as England. His mother’s antecedents were “pure Scots” – from Angus, Fife and Perth. His maternal grandfather (who died when his children were still young) was from Fife and, as a “writer”, became Depute Town Clerk of Perth. His maternal grandmother came from Dundee, the daughter of a “clothier and milliner”. She was the only grandparent whom he knew.

Jack’s mother died in 1957 while convalescing from a routine operation and his father in 1978. His younger brother, Ian Derek, was born in 1938 and his sister, Valerie Anne, in 1941. Derek became a chartered accountant with the Edinburgh firm of Graham, Smart & Annan, and worked for Ernst & Whinney in Austria and Switzerland, Chris Craft in Italy, Rolls Royce in Switzerland and France, and Seiko
in Switzerland. He retired in 1997 and now owns a small seaside restaurant in Nova Scotia, Canada. Valerie graduated in English from the University of Edinburgh, researched there and in America for a doctorate, and became a Lecturer in English Literature at the University of Edinburgh. She retired in 1987 and lives in Edinburgh.

The Shaw family soon moved from Crieff to Dunning (a shorter motor-cycle ride to Strathallan) shortly before the death from whooping cough of Jack’s younger sister, Mavis. In 1937 the family moved again, to Perth where Jack started school at Sharp’s Academy in the middle of the town (later Perth Academy). He left Perth Academy in 1943 to board at Strathallan School where he obviously prospered and was dux prior to leaving in 1949 to undertake a five-year apprenticeship with David Bogie, CA and the Graham, Smart & Annan partnership. David Bogie was a chartered accountant who was a post-Dunkirk prisoner-of-war during the Second World War, during which time he wrote his book on group accounting that Jack re-edited in 1973. He was a Governor at Strathallan School and had advised Jack’s father of the benefits of chartered accountancy as a professional career. Jack discovered during his apprenticeship that he could extend his three compulsory university subjects in economics, commercial law, and accountancy into a Bachelor of Law degree at the University of Edinburgh and did so in parallel with his chartered accountancy studies. He graduated in 1953 and qualified as a member of the ICAS in 1954. While waiting to complete National Service between 1955 and 1957, Jack passed examinations, eventually becoming a member, of the Institute of Cost and Works (later Management) Accountants in 1958. He later obtained the advanced qualification of the Joint Diploma in Management Accounting – reflecting his interest in the managerial context of financial information as well as the traditional public accountancy focus. National service was in the Royal Air Force. During training in 1956 Jack graduated as the top student in his class.
with the sword of honour and then completed his service as a pilot officer in Fighter Control in Germany.

There followed a period of post-qualification experience in London with the very Scottish firm of chartered accountants, Thomson McLintock & Company, in 1958 and 1959. The major professional influences there were fellow Scottish chartered accountants, Tom Lister, Bill Slimmings, and James McNair. Jack became a partner in Graham, Smart & Annan in 1960 and following its absorption by Deloitte, Haskins & Sells in 1973 and in 1980 became senior partner of the Edinburgh office until his retirement in 1987. That was shortly after an unsuccessful merger proposal with Price Waterhouse and preceded a successful merger (in the UK) with Coopers & Lybrand (now PricewaterhouseCoopers). The firm had previously moved from Charlotte Square to Abercromby Place in Edinburgh.

Jack’s active involvement in education started as a young partner with Friday evening lectures in financial accounting to chartered accountancy apprentices at the ICAS headquarters at 27 Queen Street, Edinburgh. Later involvement from the mid 1960s to the mid 1970s was as a part-time lecturer in the Department of Accounting & Business Method at the University of Edinburgh where Jack’s subject was the practice of auditing. He became a member of the British Computing Society in 1975 and was appointed the part-time Johnstone-Smith Professor of Accounting at the University of Glasgow from 1977 to 1982 and has since been a visiting professor there. These interests led to a number of publications including Bogie on Group Accounts (1973), The Audit Report (1980), and articles in journals such as The Accountant’s Magazine, Accountancy, and Accounting and Business Research. Jack also read a number of papers at conferences including one of two papers at an ICAS conference at North Berwick that eventually led to the Charles Report on graduate entry to public accountancy in Scotland in the early 1970s, and has presented two ICAS summer school papers. Jack’s involvement with ICAS has been considerable and long-standing.
It included membership of various committees including research and education and culminated in the Presidency in 1983–1984. He also served as a council member of the Institute of Cost and Management Accountants and chaired its Scottish Area Committee.

Jack retired from public accountancy in 1987 to move into other areas of Scottish affairs. He helped to found, and became the first executive director of, Scottish Financial Enterprise from 1986 to 1990 of which he later became Chairman. He also held numerous private and public enterprise appointments. These included directorships in the Scottish Mortgage & Trust, Scottish American Investment Company (where he was chairman, 1991-2001), Templeton Emerging Markets Investment Trust, and Scottish Metropolitan Property. Public appointments included chair of the Scottish Higher Education Funding Council from its creation in 1992 to 1998, for which he was honoured in 1995 as a Knight Bachelor. He had been appointed a Commander of the Order in 1989 in recognition of his service to Scottish financial services. He was a lay director of the Scottish Chamber Orchestra, deputy chair of the Edinburgh Festival Society from 1990 to 2000, and a member of the Scottish Economic Council from 1996 to 1998.

Jack’s many other distinctions include fellowship of the Royal Society of Edinburgh, a Knighthood of the Order of Saint John in 1992, and honorary doctorates from the universities of Edinburgh (1998), Glasgow (1998), Abertay Dundee (1998), St Andrews (1999), and Napier (1999). The culmination of his professional career was his appointment as Governor of the Bank of Scotland from 1999 to 2001, having previously been a non-executive director from 1990 and a Deputy Governor from 1991.

In 1960, Jack married Shirley Botterill, the daughter of a Yorkshire farmer and a school teacher, whom he had met while in London. He has three daughters – Jane, Gillian, and Catherine. His interests include opera, walking, and foreign travel, and he has retired to Dunkeld in Perthshire. His legacy to the Scottish financial and
educational communities are the cosmopolitan approach he brought to engagements and events, the expertise and experience he accumulated over a distinguished career as a professional practitioner, and inherent enthusiasm, good humour, and zest for life. It is these traits which identify him to his colleagues, family and friends as Jack Shaw.
Jack, thank you very much for agreeing to participate in this very important project for the Institute. What I want to start off with is your childhood. You were born in Perthshire in the early 1930s and I would like to hear something about your time there and of your family, particularly before you went to school at Strathallan.

I was actually born in Perth Royal Infirmary although my parents then lived in the small town of Crieff but I have virtually no recollection of that time. We moved quite early to the village of Dunning where my earlier memories include the Jubilee celebrations of George V - living there with my parents and younger sister. Dunning was more convenient than Crieff for my father who taught languages at Strathallan, primarily French and German. He commuted by motorbike, having given up a small car on the arrival of his family. In about 1937 we moved to Perth, initially to a rented house near to where my aunt and maternal grandmother were living. The shock of the death of my younger sister from whooping cough and my start at school, I think both motivated that move.

In 1938 we moved to a house my father had had built, more or less at the gates of Perth Academy, then on the outskirts of Perth and I started school at Sharp’s Institute in the town which became part of Perth Academy. (The Junior School of the Academy was not finished until 1940). My younger brother had been born in 1938, my young sister was born in 1941 and by then there were five of us in the household.
In 1943 we moved to the village of Forgandenny where my father had the opportunity of a house in the grounds of Strathallan School.

In 1943, I went to Strathallan School, at a relatively young age. The entrance examinations were less demanding in the 1940s! The then relatively young school was probably having staffing difficulties common to others during the war because I remember we were taught by a collection of retirees, conscientious objectors, those unfit for military service, lots of ladies, and one or two Irishmen including one who tried to teach us Latin led by a small core of men in reserved occupations of whom my father was one. He had by then become the deputy headmaster of the school I attended. Both he and I were well aware of the potential difficulties for each of us of this situation but I think we both managed to handle it satisfactorily. I was very conscious that I was in a situation of potential disadvantage rather than potential advantage. It was a very practical way of learning to distinguish the office from the man. It was clear that I was just a pupil and that he was just one of the masters. I enjoyed my time at Strathallan very much. There was a strong sense of community, shared participation in games (at which I was not good), amateur dramatics, the Cadet Force, school trips, a disciplined structure to life and the fellowship of group living which fosters respect for and tolerance of colleagues.

This was happening during the Second World War. You have mentioned the masters that you had. Were there any particular restrictions – other perhaps than staff – in wartime that were different from what would be normal?

I don’t think so for us. A number of boarding schools, preparatory and senior, had been evacuated to Perthshire from England and even from Edinburgh. Although Perth was the Headquarters of the Black Watch, Perthshire was relatively untouched by military action. When the Germans were bombing Clydebank and the West we heard the
planes going over but by the time I was at Strathallan the Battle of Britain was over and the air battle was focused on the south. A couple of bombs were jettisoned in the Perth area but they fell harmlessly on fields. At school, of course, we had air raid practice and shelters, which may have been convenient for the smokers among us! And from time to time we were a source of unskilled labour for local farmers, for example in “tattie howking” (potato picking).

Elements of the Polish army in exile were stationed in Perthshire, and around Scotland (the influence of which is still evident in school rolls and other lists of names). There were prisoner of war camps throughout the county which supplied much needed labour in agriculture and forestry. There was a small camp in the village, and I remember that at Christmas time, probably of 1944 and 1945, we entertained respectively an Italian and a German prisoner in our home – with my father enjoying his role as interpreter.

What about the subjects that you were taught at school? Presumably there were some things that you really enjoyed and some you did not.

Yes, I very much enjoyed the sciences, physics and chemistry although the laboratories, I now realise, were pretty rudimentary with little equipment. Biology was not given the same significance in the syllabus. I enjoyed mathematics very much and found the elegance of its structure very satisfying. I found Latin difficult, therefore, tedious and I sat and re-sat Latin School Certificate, usually reserved for those of us not thought likely to succeed in Scottish “Highers”. I failed it once; I then got a pass and finally a credit! I enjoyed French. We only did German as an extra but I enjoyed the little I did.

I enjoyed history much more than geography. The history of Europe was taught sketchily and separately from the history of Britain. History was largely the history of Scotland until 1603 and became the history
of Britain from 1603 onwards, so I know nothing about early English history - the Tudors or anything like that. (That may explain why so many Scots see themselves as “Scottish and British” but the English regard themselves as “English”.)

Even in modern education subjects tend to be kept in watertight compartments. Schools still miss the opportunity to make the essential contextual connections between subjects or to demonstrate the inter-relationships among them: what was actually going on in the world of physics when these events were happening politically, and where were the influences coming from geographically? This may be an overly sophisticated view for schoolchildren’s education but I think it would give a better understanding of how diverse facts and features influence the world and how these factors influence us personally.

I sat my Highers early, when not quite fifteen which meant I had a couple of years further study; more mathematics, German, and some economics, a little bit of constitutional history which was then called civics. I sat some more Highers and even did some Cambridge Highers. I suppose I was really a bit of a swot! Importantly, during my last year, by which time I was committed to becoming a chartered accountant, I studied for and passed the then first professional examinations of The Institute. (It was possible then to do that before starting training). A fellow-pupil and I were both going to become chartered accountant apprentices in the same Edinburgh office. We both disposed of what was then called actuarial science (basic compound interest and discounting), statistics and bookkeeping. I was pleased that I did a little actuarial science as a continuation of mathematics, it connected mathematics with the real world – or at least what actuaries think is the real world.

And was that what influenced you to go into chartered accountancy?
Serendipity I suppose was the major factor. My first ambition was to go into the law. I liked the combination of the practical and the analytical in the law – especially the pleading side. When I was about fifteen or sixteen, I thought I would like to be an atomic scientist. 1945 had seen the atom bomb and by 1947 and 1948 quite a lot was being written at a popular level about atomic theory. But, probably fortunately, David Bogie, then on the board of governors at the school, asked my father what I was going to do. He was not very sure but thought I was very interested in science and would possibly study it at university. David Bogie said to my father, “why not think of suggesting chartered accountancy to him because the great thing about chartered accountancy is that you have got steady work and you are dealing with people all the time. You get work when things are good and your services are needed to help companies develop and come together, and when things are bad your services are needed to sort things out and, ultimately, wind things up”. That job security appealed to my father who was in a profession always relatively poorly paid. I thought chartered accountancy sounded interesting. At that time teachers seemed to think that if you were good at mathematics, accountancy or actuarial science were the right careers. In fact, the “dealing with people” side of accountancy appealed much more to me than the alleged mathematical relevance.

And you managed to combine chartered accountancy with a law degree at the University of Edinburgh. Was that something that satisfied your desires?

Yes, there was also an element of keeping open the option of going into the law – being somebody who always tries not to exclude alternatives. But how I came to be able to do so was again serendipitous within the training and educational systems of the 1940s and 50s. At that time, at least in Edinburgh, one’s parents paid a premium of one hundred guineas to the firm to take you on as an apprentice. From memory
the apprentice got that one hundred guineas back over the first three years. I do remember my starting annual salary was £15 and in year two it went up to £30, then £45 progressing through £60 to £75! But by the time we got to the third year, there was a great step forward and I think we got £90 by our fourth year. The point was that an apprentice was a profit centre not a cost centre for the firm - so the apprentices were not worked, nor thought they should work, terribly hard. We were on part-time day release for compulsory university classes in three subjects – economics, mercantile law, and accountancy and bookkeeping, (called in Edinburgh, Accounting and Business Method). I discovered that I could put those subjects together with a number of other law subjects – Civil Law, Scots Law, Mercantile Law, Administrative Law and others - and get a Bachelor of Law degree. At that time, to practice law seriously you studied for the dual MA/LLB degrees. Lawyers also studied accounting at the university on a day release basis, and law classes were like those we attended, also timed at the beginning or end of the day to allow for some work in offices. The subjects were Civil Law and Forensic Medicine. Civil Law was enthralling although that was back to the Latin again! Forensic Medicine was mainly, but not exclusively, criminal in content and demonstrated both the need for meticulous examination of evidence and alertness in identifying anomalies in it.

Has that law training been of use to you?

Yes, I believe it has helped me to understand the intentions behind legislation and the principles behind judicial decisions and to analyse circumstances, evidence and observations in that context. I believe understanding the purpose of a regulation, law and/or decision helps one to meet the spirit of what was intended. That seems to me very much in the Scottish tradition. The Scottish civil law approach, based on Roman law, involves working from principles to detailed prescription. That has helped me professionally to keep the overall
picture in view while recognising the need to ensure that detailed application in specific cases is consistent with the principle.

Let me take you to the firm you trained with. The well known Edinburgh firm, Graham, Smart & Annan. We know that David Bogie, who was a partner in that firm, was instrumental in directing you to it. Can you give me a flavour of the time that you had in that firm as an apprentice?

Yes. It was great fun, but an experience which probably is no longer available. What was special about it? Here was an office where there were a handful of people like me who had come straight from school but probably the majority were returning from war service, some having held senior rank in the armed forces. They had had transformational experiences about which one could only guess. Their reactions and attitudes were quite different from the school leavers, who were very young and immature. The environment was a sort of informal college. That simply cannot be replicated in present-day circumstances. I have many memories of the different individuals. A few of the ex-servicemen just went completely to pieces, and simply could not cope with civilian life. Others built on their experiences. The most motivated were the older ones who had been some part of the way through their CA training before the war and were very determined to finish. A number had already completed and were qualified assistants, looking for an opportunity to get a “proper job” as it were. There they were in the common room at the beck and call of partners, for some of whom these men had little patience, not always disguised. But we all constituted a small community sharing an expectation of five years (less in special cases) study and work in a relatively unpressurised atmosphere in which natural irresponsibility was tamed by aspiration.
The other thing that is not replicable now was the structure of the firm. It was, for Edinburgh, a fairly large practice with six partners, two of whom, Smart and Annan had been founding partners. It had a fairly stable staff ratio which I cannot remember precisely but was probably about one or two qualified assistants and five or six apprentices to each partner. All apprentices worked with all seniors who were responsible to all partners in the firm’s practice. The qualified assistants with whom you worked managed the individual job but with small jobs apprentices would work on their own and take the finished work to the partner. The partner was responsible for the professional opinion, the submission of the accounts and discussions with the client. Many more audit appointments then were held individually, including those of large companies such as banks and insurance companies. “Small” jobs included family limited companies as well as sole traders – there were a number of significant family companies and some listed companies including a bank and an insurance company. Another feature was the experience of having one’s work gone over – and it was gone over! It was not just a question of handing in the file and getting back a load of comments. You spent the best part of half a day with the partner going through points raised and clearing your notes and questions – even on quite small cases involving the preparation but not the audit of accounts. Partners were interested in the progress of their apprentices. They took seriously the obligation of the instrument of indenture to be teachers. They were under a formal obligation to reveal the “secrets of the profession” to apprentices. They emphasised the importance of looking for and recording evidence, of ensuring its integrity, of following the trail from transactions through the records in the books to the formal accounting statements and so forth. You also learned from all the qualified accountants. You obviously had more contact with them – although the partner would always visit the job. Observing their discussions with the senior was also always educational.
The whole structure was of a lower cost and a lower income type of profession which no longer exists.

We worked on Saturday mornings and one of the things that David Bogie started was for the whole office – partners and all professional staff - to convene once a month for an hour and a half seminar. It was not always high-level stuff but it was one of the helpful things that just does not happen nowadays. One session was simply taking us through how to read the *Financial Times*, what was in it, what it meant, but we also discussed technical matters, Institute affairs, and practical points from current office cases.

Part-time attendance at university classes during apprenticeship was also an influential experience. I was enthralled by economics, having sat at the feet of Alexander Gray, an inspirational teacher. You would sit there at nine o’clock in the morning in a stark hall with a first year class of about three hundred and fifty students to hear the man who had worked on the government report on population trends and had a reputation not just as an economist but also as a poet. We studied mercantile law with an advocate who had helped revise the textbook on the subject (but he was a less charismatic lecturer: his notes were largely transcripts from his book!) Those experiences were helpful to me and I regret that they are simply not available now to young entrants. They provided contact with a different type of student community and exposure to teachers who were researchers and philosophers.

**Were you learning on the job what it means to be a professional?**

Yes, I think that was the essence. The partners in the firm were clearly professional – not just as practising accountants but in their ethical and personal attitudes. Of course, they owed an obligation to their clients but, more than that, they demonstrated an obligation to their profession. Each of them was very conscious that their position as
professionals depended on the preservation of their reputation. And they were evidently conscious of their responsibilities to their fellow partners, each of whom they respected as sharing their ideals. There is no doubt in my mind that the people who trained me were primarily concerned with ensuring that they could answer to anybody for the opinion they had come to. They were more concerned about that than getting the maximum possible fee from their client or finding the “convenient” answer to a problem. They also, of course, engaged with the wider community through committee and charity work. Not many of them seemed to have a particular passion for the arts but they had a lot of outside sporting and personal interests. They were by no means just auditing technicians. Their audit opinions reflected not just their technical assessment of the accounting view but implied an assessment of the character and probity of the executive management (or individual owner).

And presumably the service given was an overall service to the client. Not just the audit but also other things like tax and consultancy.

The firm’s clients expected the firm and responsible partner to be the business advisor, and the “business” was everything concerning the controlling family. It was the family’s wealth which the adviser was trying to protect or benefit - whether the business was a small business, a large private company, a very large private company, or a large public company, all had the same attitude. But always in the context that the company was a distinct entity, the long-term interests of which might not coincide with shorter term interests of its owners. There was regard to the overall balance in every aspect of the practice. In that environment there seemed to be no conflict between doing audit work and tax work or in offering advice on systems or on business strategy. In audit work you considered the opinion that you were going to issue, which was in many cases for the interest of the bank and the taxman
as much as for the owners. But you did not skew the accounts to which you lent your name, whether to minimise the client’s taxation burden or encourage the bank to lend more or for any other reason. Clients understood the same obligations that the audit partners had, of discharging their professional obligations, of being fair to the state as well as to the client.

**Were you also learning the importance of assessing the human beings behind the numbers?**

Yes. You soon learnt that there were clearly some clients who were more difficult and needed more careful diligence. Being trained and challenged by the partner who put his name, or the firm’s, to the accounts certainly helped the development of an “auditor’s nose” for inconsistencies or oddities.

**I am conscious of what you said at the beginning about your desire to relate to people in your career. To me, public accountancy is one of those professions where this is absolutely essential. You have got to relate to your clients and their staff.**

And to keep an awareness that your client’s interest is not the only interest that you serve. That is what seems to have gone wrong a bit recently. And relationships with clients and with staff have to be based on mutual respect – even when there is disagreement.

**I will come back to the changes that have taken place in professional practice. I would like to hear a little bit more about your partners. We have touched on David Bogie, but were there other influences?**

Well, William Annan was one of the great, very successful practitioners, one of the original partners of course, the Annan of Graham, Smart
& Annan. He was very deeply and widely respected and held the accounting chair at Edinburgh University. At the time there was no gap between practice and university teaching. He was wise, he was the sage. He was the sort of person whom one consulted on the very rare occasions that one of the partners wanted a second opinion about something. Charlie Smart was also still there, less involved and we did not see much of him. He had nearly withdrawn from the firm but still had clients and was very important in the firm’s history, of course. It was his connection with the Crawford family (of biscuit fame, now part of United Biscuits) that had been one of the pillars on which the firm was founded and to whose family affairs most of his attention seemed to be devoted. In terms of the hierarchy, there was Alf Wighton, who was I think Annan’s nephew, David Bogie and Ronnie Henderson. Ronnie was one of those very complete people who had had a “good war”. He was perhaps a more practical accountant than David, and, a warm rounded personality, a good source of identifying what was “reasonable”. He inherited the mantle of looking after the Crawford family affairs from Charlie Smart and did so extremely effectively while demonstrating that you could maintain a professional relationship without in any way interfering with a personal relationship.

David Bogie was probably the best accountant in the firm and had a very keen conceptual as well as practical interest in the discipline. Called up as a Territorial Officer at the outbreak of war he had been caught in the retreat to Dunkirk and spent the following years as a prisoner of war, during which internment he completed a project begun before the war to write a book on the practical preparation of the then developing technique of group accounts. He had been assisting William Annan as a lecturer at the university, and on its post-war publication the book earned him the University’s doctorate. While a prisoner, he had helped some fellow-internees continue studies for accountancy qualifications. One of those, Michael Wittet, an English FCA, joined the firm in the 1960s as a partner.
Then there was Robin Brown, the junior partner. He was a bit younger, about the same age as those that came back from war service. He really ran the office, the operations officer. He allocated the work and ran the show, and he was very, clear thinking and quite academic. Pedantic is the wrong expression but precise and interested – like a schoolmaster. We were his unruly sixth form! Latterly, after I had qualified and maybe when I was away on national service, Scott Veitch became a partner. They were a great team.

**And were you aware that beyond the partnership there was a community of accountants who really acted as a community of accountants in various firms?**

Yes. One went physically to the Institute classes. There was a fellowship among apprentices in the city; a community whose sense of identity was fostered by the CA Students’ Society which organised lectures by leaders of the profession as well as social events. So the Institute was not just an abstraction. It had a physical being. Students were aware of various meetings because all the partners, or nearly all of them were involved in various committees of the Institute (then the Edinburgh Society). Accountants were very much seen as a network. There was a network round Graham, Smart & Annan of people who had been through various work situations and were partners in London firms and elsewhere and financial executives all over the world. There was a specific relationship between Graham, Smart & Annan and Armitage & Norton, a firm which had a head office in Yorkshire.

One was aware of the senior personalities of other firms, not simply as competitors but as leaders of the profession. James Dowling – a partner in Thomson McLintock in Glasgow – was a name that we were always aware of, people knew when James Dowling got off the train at Haymarket! And William Slimmings and Thomas Lister in London, also of Thomson McLintock. Through these people the Institute had
a personal presence. The Presidents of the Societies were identifiable senior personalities of the profession. There was a sort of freemasonry of Scottish Chartered Accountants.

You qualified as a Chartered Accountant in 1954 and spent two years on compulsory national service in the Royal Air Force. I cannot envisage you as a pilot in the Royal Air Force.

Well, I certainly was not a pilot! The rank I held was pilot officer. But I spent most of my national service in a hole in the ground in Germany, in Fighter Control. Our job was to watch the Berlin corridor. We didn’t know it then but the Suez crisis was building up and we had lots of exercises to deal with. That was entertaining and interesting.

Did national service help you professionally in any way?

I do not think it helped me professionally. It helped me as an individual, particularly the “square bashing” element of it. That was only six weeks but seemed interminable. I lived in a hut with a very motley collection of people with whom I had virtually nothing in common – quite unlike those I’d been to school or Institute classes with! But again it was an opportunity to make contact in a structured way with people, ideas, interests and standards of behaviour that had not been part of one’s experience. And later, I gained some confidence in exercising my poor German.

Were you aware of post-war reconstruction in Germany?

Not immediately, though it was still going on at that time. The evidence of it was finding partially rebuilt streets in the midst of a desolate landscape, bridges being re-built, the reconstruction of some concert halls, and these sorts of things. Cologne had been very badly bombed of course and the railway station was still incomplete. Technically, we had
ceased to be occupying forces, I think, during my national service, but there was not a lot of social interaction with the local population.

You continued your migration by going to London in 1958-1959, to Thomson McLintock & Company. Why did you decide to spend two years in London?

It was partly on advice received at Graham, Smart & Annan. If I was going to make progress as an accountant I should have experience beyond that available in Edinburgh. At that time there were also signs that prosperous Scottish businesses were likely to change ownership and/or status. The tax system was such that it was beneficial for owners of prosperous businesses to sell them for untaxed capital gains rather than to take a heavily taxed income. But in any case, the scale of activity in London was already very much greater and the drain of corporate headquarters to London was established. It was a pretty well established path for a young accountant to take at that time. It was nothing magical.

It was not regarded as a permanent migration?

Well this again related to flexibility, of keeping one’s options open. It was certainly an opportunity for different experience and it might be that I liked it enough to stay.

During that time you came across some very well known Scottish Chartered Accountants. They were real characters like Tom Lister, Bill Slimmings, and James McNair. Were they influences on you?

Yes. I did quite a lot of work with Bill Slimmings because he was the partner in charge of McLintock’s contribution to the audit of ICI, a joint audit with Price Waterhouse. I was on the ICI head office team. Bill Slimmings would come along to that audit, perhaps not every week
but frequently. He spent the best part of the day with us going over the work that we had done and also doing work himself on various things, always smoking his pipe! And I did other work with Slimmings, who was always measured and wise and had a delightful sense of humour. James McNair was very much the action man of the firm and worked on many reports and reconstructions. One of my jobs for him was a commissioned report on the cable industry at a time when the government was trying to implement some sort of industrial strategy for Britain. I did not see as much of Tom Lister. He had, I suppose, the sort of role that William Annan had. He was a source of advice and counsel and was the originator of a very influential report on the Institute’s system of education and training. Young qualified members were encouraged to conduct tutorials with the office’s apprentices for the Institute exams – a sort of focused variant of the old Graham, Smart & Annan Saturday morning seminars.

To me these individuals seemed to be leaders of the profession who were very publicly seen as leaders of the profession. They attended the summer school, they gave papers, and their views were known outside their offices.

Well, they wrote. They were as enthralled by their discipline as David Bogie was. They spoke publicly about professional matters. And we had the Morison brothers. Robert and Arthur. Arthur wrote interminably. At the time I was not always sure that I quite understood what Arthur was writing about. But Robert was the interpreter. They were great. Ernest Milne was a less well-known name at Thomson McLintock & Company but in terms of the business that we were doing, clearly an important partner. And that is where I learned the important role in a large firm of the managers. There were two, in particular, one of them was called Smith and the other was John Harrison. They both later became partners. They were the two that I seemed to have most to do with. They were immensely influential to me – they were the
bridge to the partners and, to a large extent, the guardians of the firm’s culture. You naturally did not see as much of the partners at McLintocks as you did in Graham, Smart & Annan but on some cases there was little manager involvement and as the senior assistant you took your file to the partner. Although a much larger office and practice, there was the same “collegiate” atmosphere at McLintocks that I had enjoyed at Graham, Smart & Annan.

At the same time as you were in London, you were qualifying as a member of what is now the Chartered Institute of Management Accountants.

Well I had actually taken the exams in the interim between qualifying as a CA and national service. The system was not dissimilar to now. We could do our final exams before the indenture was up. I had done that and then I applied for and got deferment from call up. I was not going to avoid call up but I wanted to do the cost and management exams. I think I had finished the exams before I was called up. When I was in London I used the experience of working on the cable industry report and various other investigations with James McNair to validate in part the practical experience requirement.

I am fascinated by how broad you were making your education. You are not just a Chartered Accountant, you studied law and now you are into management accounting as distinct from public accountancy. This would seem to me to underlie some sort of deep philosophy that you have about education.

I doubt it. I suppose it is just evidence of being a swot – and unfocused?
No, whatever you do, you seem to be able to move into other areas. That seems to me to be an interesting facet of your character.

Yes, I suppose I am just restless. I could see that next episode while at Graham, Smart & Annan. It must have been early in the 1950s. There had been a productivity mission to the United States to investigate American managerial use of accounting, costing and statistical information – one of many to explore what made America so productive when Britain was so unproductive. The mission was a high powered team led by Ian Morrow. He and Ronnie Parker (who went on to become the head of the Coal Board in Scotland) did a seminar (at the YMCA) attended by probably forty or fifty people from industry and finance. I found it enthralling. Ian Morrow preached the importance of good financial information as a basis for management decisions. That struck a chord with me. It was another important influence on my perception of what the profession is about. I suppose it was a realisation that financial information is not a sufficient end in itself.

It is only a tool.

It is only a tool. That realisation provided encouragement to get me through these cost and management accountant requirements.

You were now charged up with all these degrees and qualifications and came back to Edinburgh to become a partner in Graham, Smart & Annan in 1960. Tell me a little bit about that career stage and when you went from partner to senior partner in Edinburgh after Graham, Smart & Annan was absorbed by Deloitte, Haskins & Sells.

I came back to become the junior partner at Graham, Smart & Annan. By that time, Mike Wittet was with the firm. He was older than I and
had been one of David Bogie’s “prisoner-students”. He and I got on very well. Scott Veitch, whom I had known as a qualified assistant, had become a partner, and shortly after I came back, Jock Miller became a partner on the tax side before going to Hong Kong. Reg Brown also became a partner. By that time there must have been about eight partners. Smart had retired and William Annan had gone. Alf Wighton died not long after my return. David Bogie and Ronnie Henderson were the senior partners. They were in the William Annan mode by that time – a source of wise advice, custodians of the firm’s reputation and both highly respected in the Edinburgh financial community.

I hoped that I could help Graham, Smart & Annan adopt some of the practices I’d observed at McLintocks both for the conduct of audits and organisation of the firm. Mike Wittet had started intensifying the record keeping systems. By the 1960s there were no premiums, trainees were now a cost and not a profit centre, and cost-conscious clients were looking for some understanding of the basis of the fee. We needed new ideas on both the administration and technical side of the firm. I enjoyed encouraging people to think of adopting some of the better things I had seen at McLintocks. And, of course, I also worked away on a collection of audits. As a young partner I was lucky to work on the acquisition of Crawfords by McVittie & Price to become United Biscuits. I worked on a long-running investigation for the White Fish Authority. The Scottish fishing fleet had expanded grotesquely as a result of a perfectly rational economic response by fishermen who built new boats because the government provided all but a small percentage of the costs. As a result there were far too many boats, businesses were losing money, and so there was an investigation into their viability as a basis for considering rationalisation of the fleet. Nearly 50 years later, there are still problems in the industry!

I also got involved in a project inspired by Professor Browning (of John E Watson & Co and Glasgow University) – another professional giant
on the extension of computer systems in accountancy. These were early days of computers and Browning got funding from Coats Paton and one or two others. Ian Marshall was then the senior partner in Graham, Smart & Annan (his practice, Dewar and Robertson, had by then joined Graham Smart & Annan) and President of the Institute. We got together a team to explore the creation of a Scottish Computer Education and Applied Research Centre (SCEARC) which would stimulate education and research in the application of computers to financial management and records and encourage their exploitation. We looked at developments in computer education and research in the Netherlands, France and Italy and produced a report defining the opportunities and outlining how such a Centre might operate and be created. But we were really overtaken by the creation of the National Computing Centre with government backing. This was away back in the 1960s.

**That was at East Kilbride?**

No, it was established in Manchester where Flowers had been. Now it is at East Kilbride which was then the National Physical Laboratory. I did not know at that time that Flowers had been part of the great wartime Enigma project. But at Graham, Smart & Annan, inspired by the experience of McLintocks and the ideas of James McNair, we set up a mini consultancy called Graham Robertson in conjunction with Robertson, Maxtone & Graham, another firm then across the square from us. I was given responsibility for that but it never developed because we had a fairly narrow client base and neither firm put in sufficient resources to employ the necessary range of consulting skills. We had one full-time consultant, Andrew Reilly, a cost accountant who was good on costing systems and we could implement some of the ideas of that Morrow Productivity Mission report. We aspired to bigger and better markets but did not prosper. It was an interesting experience and satisfying to have a chance to apply the Morrow doctrine of
enhancing management information as a basis for improved decision taking. In fact we had some contact with the firm Robson Morrow – then without Ian Morrow. When we had a big assignment they were very pleased to work with us; we learned quite a lot but didn’t get much fee! Although we had a number of clients the venture was the classic problem of under investment resulting in lack of resources and thus profit. It did not last very long.

Relationships continued between Graham, Smart & Annan and Armitage & Norton in London through the 1960s. Such relationships existed because firm A’s client required audit services and financial services in location B where firm A had no convenient office but firm X in that location was an autonomous independent firm which would contract to provide the necessary assistance, always under the supervision of firm A. These relationships, these associations, were changing at the time. One element in the restructuring of the profession then going on was the requirement to separate the investment management part of the business from the audit part which meant that some firms became smaller. Even more importantly, firms were anxious to get national coverage. For example, although McLintocks London had been originally created by McLintocks Glasgow, they had operated for many years as separate partnerships at least in part because of the limitation of partners to twenty. The London business had grown faster than the original Scottish firm but the practices always worked closely together and the removal (in the Companies Act, 1967) of the limitation of partner numbers in a professional firm opened the way to a merged firm.

Armitage & Norton were not of sufficient scale to provide this access to national coverage that Graham, Smart & Annan wanted. Robert McPhail, a Scottish CA, who was number two to Guy Densem at Deloitte Plender Griffiths & Co had always been friendly with the partners of Graham, Smart & Annan and with Iain Marshall in
By the mid-60’s, Deloittes were looking to extend their coverage in the UK and we had a sort of joint venture with them where we provided staff and supervision for work on their clients in Scotland. That was valuable to us, particularly as United Biscuits was one of their clients and we were able to continue working at the former Crawford locations. This sort of arrangement led ultimately to discussion about firms like Deloittes acquiring a number of others. I believe Deloittes were approached by a firm in Glasgow about a merger in Scotland but Robert McPhail indicated to Iain Marshall that Deloittes would prefer to merge with us. From this approach the decision to merge came. As it happened, at more or less the same time, Deloittes were absorbing Robson Morrow.

When the final stage of the merger took place in 1973, Graham, Smart & Annan disappeared. This coincided with Deloittes merging with the Liverpool-based firm of Harmood Banner whose Edinburgh associates were Romanes & Munro, Charlie Munro’s firm. This created a Deloitte & Company unit in Edinburgh of, I think, thirteen partners. That, of course, was a major transformation in the size and scale of the firm in which we were now partners. There was a UK partnership of over 200 partners. Locally in Edinburgh we were running on two sites, with two groups of people, two largely unconnected units because Romanes & Munro had been predominantly an insolvency practice. The same sort of problems and issues arose as with any merger. There were different cultures both locally and nationally although Deloittes, a big English firm, had had a fairly strong Scottish influence – as did most of the big London firms – probably the result of the migration of Scots to London since the 1920s and even earlier.

The merger opened a new world in terms of professional work, organisational structures and the resources to develop technical processes in gathering audit evidence. Haskins & Sells, Deloitte’s American associates, had been early pioneers of the statistical sampling
approach and that was seen by Deloittes as a very efficient, helpful and profitable way forward. This focus on efficient and effective use of staff from the 1970s onwards was a response to a search for better technical standards of auditing and the need to contain costs in the face of clients’ own concerns about their costs. There was no sudden transformation from professionalism to commercialism. That was a more gradual process which was probably lubricated by the emergence of big international firms. By the end of the 1970s we had the international big eight, a stratum of about 20 “medium-sized”, largely national, firms and a multitude of small, primarily local, firms. Their practices largely reflected a corresponding identity of clients.

That intensification of competition for the most visible and lucrative work contributed to the commercial drive. The methods of training, greater bureaucratisation of the firms and the loss of the influence of people like Lister, Slimmings and others which had permeated the firms and members of the profession, also contributed. With the big eight the focus turned inwards on the firm itself, rather than outwards to the profession as a whole. The leaders of the firms had to become more organisational and managerial than professional. The inevitable consequence of firm growth was that student training became more the responsibility of junior managers and recently qualified assistants than the partners and senior managers. In some firms that type of system had already been in place because of their size and the nature of their practice.

Of course, there were many other changes as firms sought to build upon the long-established range of non-audit, advisory services they had traditionally provided for clients. As business units became larger and the complexities of international business multiplied, to say nothing of the expansion of public communication of financial information, it was quite rational for the major accountancy firms to respond to clients’ wishes to have advice from a source validated by the independence
associated with the audit function. But it did ultimately debase the perception of the audit function which became commoditised and seen as a basis for selling other services.

**Jack you were talking about change in your professional life as you became part of a multinational professional practice.**

It was very pleasing and rewarding, professionally and personally, to find oneself part of a multinational practice because it expanded one’s horizons and one met colleagues in the same firm in different parts of the world. The committee structure of the firm drew in people from different parts of the world. Conferences and meetings allowed an exchange of technical information. It also involved different practical work. It was a positive experience from the personal point of view because it opened opportunities to engage and have contact with much larger corporations than was possible with Graham, Smart & Annan. As part of an international organisation you might be doing a part of an audit but the auditors’ conference on the case was a wider and deeper professional experience and revealed different cultural expectations, attitudes and reactions.

I think the conundrum, the dilemma, for the big eight, quite apart from the objectives of expanding their other services, was that they represented to their audit clients that they were capable of providing a consistent standard of audit work and opinion internationally. The focus of their attention shifted to a concentration on mechanisms that might secure that objective. Each firm inevitably became introverted in its technical development and more concerned with its internal processes for meeting client expectations efficiently than looking externally and engaging in debate about, and responding to changes in professional expectations from the community at large. In other words, there was a weakening of the perception of the public interest. At the same time partners in these multinational firms developed expectations for
their level of financial reward more comparable to that of the financial executives with whom they were dealing. I suppose that is only human nature. The people the firms were trying to recruit similarly developed expectations of a high salary. This intensified the focus on internal procedures and processes, the drive for standardisation and the maximisation of profit. I think those introverting pressures totally obscured awareness of the fundamental responsibilities of a profession to the community. If the firm maximises its profits by pleasing its clients, the operational focus becomes the retention of clients, maximising the provision of services to clients; a focus at variance with what I always perceived to be at the root of professional ethos.

**So is there any retention of the central covenant of the profession to protect the public interest?**

It is probably recoverable and there are signs of recognition of the need to do so. But I am not sure that it will be recovered by increased regulation. Increased regulation at best simply provides an external discipline. What seems to have become weaker is the internal discipline of assuming that your own self interest as a practitioner is last in the line, behind the interests of the public, client, firm and even profession. The other result of concentration on organisational and profit-related issues is that leaders of the firms are distracted from engagement in the affairs of the profession. The fact that the Presidents of the British institutes find it necessary to convene separate meetings with senior partners of leading firms, distinct from any other consultation they have, is an indication of the lack of commitment of those senior partners to contributing leadership to their profession, and of the inability of the professional institutes to influence the conduct of the major firms. It is another consequence of this monopolistic position that we now have.
But if we found ourselves in a position where a vacuum has been created because of that lack of relationship between large firms and the professional institutes, nature being what it is, that vacuum will be filled by something. The fear for example in the English Institute is that it is dominated by the small firms and their particular needs which are not necessarily at the cutting edge of professional service.

Because of the stratification of practice firms. Public issues now only emerge through the larger firms, but a relatively small practical case can raise major professional concerns. Many of the leaders of the profession we spoke of earlier were, by current standards, seniors in small firms. They were less obsessed, I think, than the later big firms with the loss of clients. In the large firm the loss of a client is a big public event. But with the small firm that is not so and the population of businesses they serve is fluid and large. Lost clients can be replaced more readily by the creation of new businesses and growth of others. It is not the loss of client that worries the small firm as much as the necessity of replacing lost sources of income. One of the paradoxes is that the successful client of the small firm is encouraged by those supporting its expansion to appoint a more “visible” – i.e. larger – competitor as auditor.

This may sound a very specific question but it relates to this idea of professionalism. Would you have turned down a potential client on the basis of potential audit risk – well not audit risk, but business risk to you?

I have seen that done, yes. It is consistent with my earlier comment about the linkage between audit opinion and personal opinion.

So that is nothing new?
No and I have certainly seen a number of businesses that we thought should be taken off our list. Circumstances suggested our services would be better devoted elsewhere.

**When you moved from the Graham, Smart & Annan situation to a Deloitte Haskins & Sells situation, did you feel more like a corporate executive having to perform in business?**

Not really.

**Or were you able to retain your individuality?**

Yes, I hope I did. I did not feel that I had to behave in a different way or try to conform to a different model. I suppose, as time went on it became more of an issue. I suppose that in the early or mid-1980s, having had the privilege of being President of the Institute and being in charge, if that was the right word, of Deloitte’s Edinburgh office, I was happy to exploit the opportunity to make a change. But I would not say that I was driven to seek the change.

Shortly before I left Deloittes we had tried unsuccessfully to marry Price Waterhouse. The merger going forward depended on all the linked but independent national partnerships voting in favour of it. It seemed that the English partnership of Price Waterhouse did not want to pursue the project. After my time with Deloittes there was a proposed merger, which originated, I think, in the US with Touche Ross. That union was ultimately consummated in America and many other countries, but the then partners of the UK firm, and in some other locations, preferred to merge with Coopers. So some of my former UK partners are now partners in PwC as are some other partners elsewhere, while others abroad are partners in Deloitte Touche Tohmatsu. (Some, of course, have retired or left practice). The later
merger of Pricewaterhouse with Coopers was, I think, determined differently, by international majority.

I think that respect for individuality and the opinion of the individual is organisationally so difficult to be almost impossible for the bigger national and certainly the international firms. How do you train people to exercise independent judgement and express an individual opinion in the context of a need for standardisation and consistency? That is the dilemma.

We seem to have a system today, particularly in the education and training of the individual’s career, where professionalism and ethics are reduced simply to a series of relationships that you can or cannot have in terms of independence rather than the much wider notion of a professional person and the ethics that goes with that.

I think that is close to where we began. I believe that you cannot arrive at your own personal philosophy entirely on the basis of reading and classroom education. I think you develop your own philosophy by observing the behaviour of other people, particularly those people whom you respect. It is also important that your personal philosophy includes respect for the individual. Hence, in relation to ethics, the attempt to regulate by prescription will never influence conduct. You do not get people to obey the speed limit simply by specifying a speed limit. People obey it because to drive too fast is potentially dangerous to others.

So you do not suddenly become independent because you have divested yourself of shares?

Not at all. If you comply simply because you are required to, and not because you think it correct to do so, you do not change your mental
I have noticed in life generally and also in the public accountancy profession that once you reach a certain age you tend to be gently invited to leave stage left. One of the things that I benefited from as a young accountant was the wisdom and the experience of the older staff members and partners who had a sort of sixth sense that came out of experience. I just wonder if you feel we are missing something today by seeing firms where there are very few people in their fifties far less in their sixties?

I think I share your view. This is a consequence of meeting promotion expectations. If every year a firm is drawing in one hundred bright young students you have to encourage them to believe that there will be partnerships for the most able five, ten or whatever number of them. You have to make room, and the only way you can avoid frustrating expectations and losing talent is to bump people off. This is a dreadfully ageist thing to say, but I am not sure that many of the people now retiring at the age of fifty-five, who have had senior experience in the past fifteen years, have necessarily acquired the wisdom of people like William Annan. People of his generation had had significant professional and personal responsibilities. They grappled with questions substantially alone. Having taken counsel from one or more of their own seniors they came to their own view as to what should be done. They understood and accepted the responsibility to account for themselves. In the present giant firms you are not encouraged or even expected to wrestle individually with technical problems. You go to the technical department. Now I do not think that the people in charge of technical departments are necessarily the custodians of all technical wisdom and I certainly do not regard them as the custodians of ethical wisdom. Some recent public scandals have
been the result of people losing sight of the need to reflect on just what is right. What is my duty, what is my firm’s duty in the context of the professional responsibilities I bear? In the UK, as far as audit opinion goes, it is a statutorily preserved monopoly. So the opinion expressed bears an extremely onerous responsibility as a consequence of that private exercise of a public quasi-judicial function.

**But if you look at any of these situations like Enron or Cendant or WorldCom, the technical issues are actually pretty elementary.**

Yes, but hindsight always reveals the obvious.

**You know, keeping sales off the books or accelerating or decelerating sales and costs. These are simple notions.**

There may be technical audit failure in the sense that you have not actually spotted the device. But I agree with you entirely that the practice, for example of regarding large quantities of merchandise dumped in people’s warehouses to support reversible invoices, is wrong. “Teeming and lading” is a very old pastime – anticipating income or deferring cost in the hope that something will “turn up” in future to make it alright again. There is a simple exercise to satisfy yourself that all goods have been sold, ownership passed, and there is an invoice. What is the issue?

**That seems to me to be checking off the “to do” list on the particular standard that you are trying to adhere to rather than using your nose to sniff out anomalies.**

Checking the principle rather than the so-called standard.

**Before we move from public accountancy into the wider financial services sector, let me touch briefly on your time as President of the Institute because as you say it was a**
singular honour and in many respects it is an onerous position to be in. Is there anything specific in your presidency that you can say that was down to me, Jack Shaw?

I do not think so. I think I contributed a tiny extent to raising an awareness of the Institute as a Scottish institution of some significance. But, and I say this with the experience of some years of the Past-Presidents’ Committee, the issues of the Institute, are fundamentally unchanging. They concern recruitment, the structure of education, the relationship with big firms, the relevance of the programme of education and training outside public practice, relationships with other institutes, frustration at the ineffectiveness of CCAB, the problems of discipline, the difficulty of developing a universal, or at least wider, understanding of ethical standards. These seem to be the agenda of the President in any year.

One of the changes which I think the Institute is trying to make, which I think is a good idea, is finding some means of getting the Council to be more effective. I do not think meeting as infrequently as it is going to is consistent with that but re-identifying its role as a supervisory and policy-setting body, and leaving the executive management to wrestle with detailed issues with the support of a small group of Council members, is potentially useful. It still leaves the President with a substantial ambassadorial role and that is not necessarily bad. The ambassadorial role has changed over the years. When Tom Lister was President, he obviously travelled to lots of meetings, but there was less trotting around the world.

One of the things that I tried but failed to do in my presidency was to get the Institute to be the home for a sort of corporate resuscitation unit. Very much trying to mirror in a small way what the Bank of England was doing throughout the UK with its industrial advisors. I
remember having a discussion with the great company doctor, Lewis Robertson, about that but we just could not see how to create it.

Is it not the case as with any other body that essentially if you want to get something done that you are particularly passionate about, the vice-presidency stage is where you need to start to do it?

Yes. When I was President we operated differently from our immediate predecessors. We were effectively a four-man executive group, three office bearers and a secretary. It was the system in effect when I became Junior Vice-President. It was not particularly efficient, and it was quite difficult to find time to think about longer term and strategic issues. But it did secure consistency in development of ideas and projects, leavened with new stimuli over those rolling three year groups of personalities. But the problem there is the same as one referred to earlier, the pressure of business life restricts the time and effort a part-time office bearer can devote to Institute affairs.

Well, let me take you away from public accountancy. Although I touched earlier on retirement at fifty-five, that is precisely when you left public accountancy to go into the wider pastures of financial services! I would like to know a bit about why you made that change and if you could also specifically talk about something that is very much associated with your name - Scottish Financial Enterprise, which you helped to found in 1986.

I made the change because of an opportunity. This opportunity appealed to me because here was a particularly Scottish mission. Scottish Financial Enterprise grew out of a conference of the Scottish Council for Development and Industry at Aviemore. James Gammell and Angus Grossart spoke and the theme was taken up by Tom Risk. It was a response to the 1984 deregulation in the City and the fear
that Scots could lose out in the anticipated restructuring of financial services. We had no distinct financial market. It seemed that we needed to raise the profile of Scottish financial business. I did not fully understand the issue initially. Having been a President of the Institute the representation element appealed to me, as did the idea that this was something of significance to the Scottish economy. The venture was completely new and I had never started anything new in my life. It was effectively a new small business. The first thing to do was to create a “business plan” and build on the initial funding in place from Scottish banks. I had to go and beat on the doors. Despite the banks’ commitment, the insurance companies were initially reluctant. At that time there was still the Association of Scottish Life Offices, and its members tended to move in the same direction – at a slow pace! Thanks to the advocacy of one or two members of the Association we eventually got the insurance companies on board. The fund managers came in at a relatively modest level of contribution, but they came in nonetheless and the idea gained its own impetus as others, not perhaps central to “financial services”, sought to “join the club”.

The idea in the first instance was to make the world – the City of London as well as places abroad – aware of the special characteristics of the Scottish financial sector: that it is a group of individually strong and successful banks, insurance companies and fund managers who use markets but have no market in their own midst. The proposition was that being remote from the hectic atmosphere and constant gossip that disturbs people’s decisions in the thick of the market, Scottish financial services were not at a disadvantage but had a positive advantage, reinforced by the Scottish characteristic of canniness and a long tradition of caring cautiously and effectively for other peoples’ money.

The second element was to give the various practitioners in the Scottish financial sector some sense of common identity and cohesion:
to show that it mattered that the individual fund managers, insurance companies and banks remained headquartered in Scotland. They all served customers throughout the UK and abroad. The insurance companies’ strong Scottish fund management element was important in attracting brokers and others to Scotland seeking to market their shares. As a result we were separate but not isolated. Scottish Financial Enterprise was saying “look at us because we have this differentiation, we take the long-term view, we have integrity, we look after your money, other people’s money is as sacred as our own”. I believed that Scottish Financial Enterprise would probably not last ten years because this community of interest would be so self-evident and would acquire its own momentum. That turned out to be completely wrong. In the intervening 18 years, of course, the structure of Scotland’s financial services industry has changed very dramatically. TSB Scotland became part of TSB and then part of Lloyds which also acquired Scottish Widows. The Clydesdale is now owned by an Australian Bank. The Royal Bank has become a very large Scottish-based international business. The Bank of Scotland is now part of HBOS. Both the Royal and HBOS are still headquartered in Scotland but neither is predominantly Scottish in its business or personnel. A number of insurance companies and fund managers have been taken-over by English based or overseas entities. The satisfactory irony of the banks’ unwavering support for SFE is they never really needed it, the fund managers are still inclined to think they don’t need it, the insurance companies did not really believe they needed it, but I believe that all have benefited. Politically, the economic and social significance of the financial sector is now understood sympathetically.

The workings of Scottish Financial Enterprise are now very interesting. The appointment of Ray Perman, the immediately past Chief Executive, was a very good choice. At the time that the Scottish Parliament was coming into existence, to have been able to develop Scottish Financial Enterprise as a political lobby for the financial sector reinforced the
point made in my day that the financial sector in Scotland actually provides more jobs than any other sector.

**Is it the inevitable progression to lose this Scottish financial community?**

It is perhaps autonomously weaker than it was, but as vibrant as ever. As long as the major banks and insurance companies retain their independence, and their headquarters are located in Scotland the sector’s importance will be preserved. The success story in fund management is Baillie Gifford which is now nationally and internationally acknowledged. There are some new small firms but the independence, and sometimes the identity of others in fund management and elsewhere have disappeared. The determination of the Royal Bank and of HBOS to stay in Scotland matters a very great deal. Their determination to do so seems very strong, but future developments may drive change. The position of Standard Life has also been very strong but their longer term future seems a little less certain than a few short years ago. You might therefore argue that you do not really need Scottish Financial Enterprise because these major institutions perform its functions for themselves. But its political lobbying function is clearly useful, its representation internationally of Scottish expertise remains important, and its existence evidences the sense of common purpose among all its disparate members.

**Do you see any developments in the Scottish financial community – new opportunities?**

Yes. I think it is the same as with the accountants. The opportunities are in the boutique operation, the provision of specialist services to an individual clientele whose needs are inadequately met in the mass market. It is interesting that many more businesses now manage money. But they are all doing it in small units and they have mostly come out of other businesses. They live by giving personal service and you give
personal service best in a small structure. I think that the problems for Scotland are the disadvantage of its physical location, the imperfections of its transport links, and its relatively small (declining) population.

**Does that matter today in an electronic age?**

Well it does in the sense that you capture and continue to reassure customers eyeball to eyeball. In financial services particularly, trust matters – and trust is built on personal relationships, not over the internet or *via* the call centre. Customers want to come and see you. The difficulty with there being a relatively small number of quite strong players is that, if you have a choice between appointing A, B or C, and A is in one location and B and C together in another, you will go first to where B and C are because you can see them both on the same trip. I may be overstating the difficulty but there is no doubt that there is a cost in trying to conduct your business when there is physical distance. Once you have got the customer, of course, you do not see each other a lot. But for the boutique, it is about personal service and therefore the customer wants to see you at least from time to time.

**Is the Scottish financial community getting the creative minds that have always been here? If you look at the history of financial services in Scotland, we have innovated for centuries in banking, insurance and investment trusts and so on.**

I think so. One of the important elements in the Scottish financial sector as a choice of employment for bright people is the fact that it has a significant intellectual and judgemental content. We have the intellect to innovate. Scotland thus offers opportunities to exploit personal intellectual talent in a congenial environment. Our academic strength provides in Scotland more bright people than we can employ locally. I am perhaps too sanguine about it, but I think that the financial services sector will continue to attract its share of potential talent. And
the financial sector brings in people who are not Scottish, who have not been part of the Scottish scene, who see the attraction of applying their talent in a less stressed and a less hassled environment. They leave and provide stimulus to the local talent.

**Let me take you back to the Bank of Scotland because that is a huge part of your distinguished career and culminated with your appointment as Governor in 1999 prior to the merger with the Halifax. Tell me about that.**

I joined the Bank in 1990 when the non-executive director (Lord Balfour), who was a Deputy Governor, was approaching retirement. The developing succession plan was that Tom Risk, who had been Governor for some time, would retire in the early 1990s. The natural successor was Bruce Pattullo, then also a Deputy Governor, who would then assume the very non-Higgsian, combined role of Governor and Group Chief Executive. This meant that the next Deputy Governor would perform a different role to the traditional Deputy Governor. In addition to helping and supporting the Governor by taking the chair in various subsidiaries and committees, it involved just “being about” (in the way which a non-executive Governor could be but one who was also the Chief Executive could not be). I always defined my role as Deputy Governor as being, “in-house non-executive”. I was there most of the time. My job was to know what was going on, to give my non-executive colleagues reassurance that the executives, particularly the Governor, were observing due process and that things were running smoothly and to provide to the executive a personal view about likely Board reaction to proposed strategies and tactics. So I tended to spend my time sitting in meetings of executives observing the process and reassuring myself that everything was okay. Combined with that function was an ambassadorial role for the Bank. Bruce, as a full time executive, did not have time to do all those external activities.
I arrived in 1990, initially as a non-executive director, and in 1991 became a Deputy Governor. That was how it ran from 1991 to 1998 when Bruce retired. We operated as a four-man executive group. There was Bruce and Peter Burt, who was initially the Chief Executive of the Bank and became Group Chief Executive when Bruce became Governor. Gavin Masterton – who had been Treasurer – succeeded Peter as Chief Executive of the Bank. As Bruce’s retirement approached we spent time deciding an appropriate succession. I was older than Bruce and it had never been intended that I should become Governor. The recommendation of the Board, acting on the advice of a \textit{de facto} nomination committee, was that Alistair Grant should succeed Bruce. Tragically, Alistair’s assumption of the Governorship more or less coincided with a diagnosis of serious illness. So began a most difficult time which is not something that I want to make much of, and only refer to as part of the background. During 1998-99, while Alistair was undergoing treatment and surgery, I acted in the place of the Governor and took the chair at nearly all the board meetings. It sadly became evident ultimately that Alistair was not going to recover his health and I chaired the June Annual General Meeting of 1999. Towards the end of 1999, I became Governor when Alistair had to withdraw completely.

Throughout Bruce’s time, Standard Life held a 32%-33% share in the Bank of Scotland which they had bought in the 1980s from Barclays who had acquired that interest earlier when the Union Bank of Scotland merged with the Bank. Standard Life had always been a non-interventionist shareholder although its Chairman from time to time was appointed to the Board of the Bank. During 1995 its investment team decided to dispose of that holding because of its very heavy weighting in their overall portfolio and it was effectively illiquid. The Board of Standard presumably felt that it was inappropriate to spring that decision on the Bank’s Board in the midst of its 1995 tercentenary celebrations.
So, early in 1996 we got private intimation of Standard’s desire to disinvest and they agreed to give us the opportunity to find a purchaser or purchasers. Of course they would if we didn’t! The Bank then had to consider the implications of a single purchaser, who might be prepared to pay a premium price for such a large holding despite having to accept the restraints which Standard were anxious to escape from. But, such a purchaser would, in the climate of the late 1990s, also present a source of potentially unwelcome influence on the Bank’s Board, and could even create instability in the ownership of the Bank leading ultimately to a loss of its independence. The realisation of that particular risk arose paradoxically from the very success the Bank had been enjoying through the difficult years of the late 1980s into the easier mid-1990s. It was strongly profitable and had a very strongly growing business, particularly in the corporate sector where the value of individual pieces of business is obviously very high. That sector is also very competitive and the restricted margins available yield a relatively low return on capital which inhibits the rate at which fresh capital can be generated. Bank ratios of total capital to the total of its sharply defined “risk assets” are very strictly controlled and rigorously monitored by the industry regulator. Bank of Scotland was growing its risk assets at a faster rate than it was generating the required capital and, with an already fairly high ratio of dividend cover, could not increase retained profits by restricting dividends. While we needed access to capital we did not wish to have on our share register anyone who might want to acquire the Bank.

We concluded that it was in the interests of all shareholders for the Bank to keep its future entirely in its own hands, and therefore set about to place the Standard “block” in a number of “secure hands”. Our advisers did so extremely effectively at a price which was satisfactory to Standard Life. The fact of Standard’s disposal and the process of the share placing attracted press attention but the whole episode was concluded calmly and satisfactorily.
Later, in 1998, the near coincidence of Bruce’s retirement and Alistair’s illness was not an easy time. It included the Pat Robertson episode which was current at the time of the 1999 Annual General Meeting. This arose from an opportunity to achieve a long-standing objective of diversifying into retail banking in the US (where we had a lively corporate business) through an association with a “television evangelist”. He had an extensive constituency of evangelical Christians and was anxious to provide ethical banking for his “flock” – and of course others. The Stock Exchange reaction to news of this proposal was favourable but his very vigorously expressed, deeply conservative views provoked strong protest from a number of quarters in Scotland. In the end the Bank negotiated termination of the project. This painful episode arose from the pursuit of a very positive strategic objective but with a business partner whose personal views were clearly anathema to certain groups and which provoked considerable adverse press and public reaction.

The public protests in Scotland surprised us by their vehemence and the sources from which they came, although we also received helpful support from some important quarters – not least (quietly) the Church of Scotland. But, apart from public protest, we were even more disturbed by the totally unjustifiable personal abuse which some of our staff had to suffer. The business benefits which we had clearly identified would obviously be frustrated by the damage to our reputation if we pursued the relationship. Banks survive not just on service but on reputation. As a non-executive director and the Deputy Governor while the project was being developed, I have to acknowledge failing to identify the risk of intensely destructive public reaction, or prompting deeper Board discussion about the non-financial aspects of this unhappy proposal. It was a mistake.

But back now to the question of the Bank’s future. Once the Robertson episode was behind us, we turned our minds back to the growth
dilemma, and were now even more aware of the strategic importance of augmenting the Bank’s size – always in the context of preserving its identity. We recognised – as did others – that Natwest was in trouble and we expected that the Royal Bank would also be aware of the attractions of acquiring it. It seemed to us more than likely that the Royal would encounter competition issues in the north of England where they already had a number of former Williams and Glyn branches. We wondered whether a joint bid with the Royal would be feasible on the basis of splitting the branches (with us in effect taking those north of England locations) and sharing between us other aspects of the Natwest business, in which we hoped to acquire at least a large share of that corporate business. But this was another idea which did not progress. One handicap we had in mounting a solo bid – and we opened the assault on Natwest – was that we did not have the same record of successful acquisition and integration which the Royal had in the UK and North America. (Our own overseas subsidiary in West Australia – BankWest – was not a major strand in our activities and not really understood by City investors). Having gone first for Natwest, we of course gave it our very best shot but in the end lost it to the later entrant, the Royal.

Time seems to have proved that we, and probably the Royal, underestimated the commercial benefits of achieving integration and building on the existing businesses of Natwest. Although we were immensely disappointed by that failure, the strategic issue still had to be dealt with. Although Barclays at that time were not without their problems they were not so serious that we wanted to enter into discussion there. We were equally wary of Lloyds, then under the leadership of the redoubtable Brian Pitman. Clydesdale Bank did not have the scale to ease our problem and in any case their Australian parent, National Australia Bank, would be difficult to negotiate with. We realised, of course, that there was excess capital in the fairly recently converted building societies and we talked first to Abbey. A difficult
courtship resulted in no progress. We had, in any event, identified a number of concerns which we believed would complicate a smooth combination of the two businesses, and, as is usual in such cases, issues of personality were not absent.

We then returned to a former idea which had emerged previously when Mike Blackburn had been the Chief Executive of Halifax Building Society preparing for demutualisation. At that time the Halifax board was not minded to explore the possibility of any relationship with us. Halifax now, in 2001, was an even better match for us than Abbey because it was still substantially a mortgage business and with a recently acquired insurance arm, but no significant corporate business. They now had a recently appointed Chairman, a different Chief Executive and a different Board. As you know, negotiations proceeded swiftly and smoothly. There were no competition issues and shareholders of both companies favoured the principle and terms of a marriage. In September 2001 the new holding company, HBOS, came into existence and now runs the combined businesses from its Edinburgh Head Office.

My decade at Bank of Scotland was an enthralling time, the most fulfilling of my professional life. The atmosphere in the Bank was not dissimilar from that of Graham, Smart & Annan. It was a relatively small bank numerically, and everybody in it gave the impression of pointing in the same direction and thinking about customers. There is no doubt that the inspirational leadership of Bruce Pattullo as Treasurer and then Chief Executive reinforced that corporate ethos and commercial success. During the decade I was at the Bank, increasing emphasis had to be placed on profit, as in public accountancy practice. That meant taking out cost, centralising control and reorganising branches which inevitably weakened customer contact. But banking is a business, conducted professionally, where the short-term interests of a customer have to surrender to the long-term interests of shareholders. Like all
analogy that with accountancy is imperfect, but as in accountancy, clients do not always feel that their adviser/banker had served them well!

Your analogy is that the Bank of Scotland and Graham, Smart & Annan had a small group at the top of the structure. Whereas with Deloitte Haskins & Sells, you were in the middle.

Yes, in Deloittes I was a branch manager and at the Bank I chaired the Board.

So your input and influence was much more direct?

Yes. But in Deloittes there was professional satisfaction in such involvements as membership of the technical committee, the firm’s policy committee and other projects. In the Bank there was great personal reward in working with people like Bruce Pattullo, a remarkable manager, banker, and man. He justified his description as “the country’s best banker”. He was the first graduate trainee the bank ever recruited, starting off in Edinburgh at the Goldenacre branch. Gavin Masterton was an extremely good operations officer, as good as I have seen. He earned great personal respect and loyalty from his peers, customers and all his colleagues. So Bruce, Peter and Gavin were a remarkable combination of talent. It is no wonder that I was so excited and felt so motivated at that stage of my career.

Let me turn to the final area that we will touch on and that is education. As a CA apprentice in the basement of 27 Queen Street I was taught by Jack Shaw.

But not many people learned from me, Tom!
If I had made any predictions about your career I would have said that you would have ended up in education. In fact you did - in all sorts of ways. You were a part-time lecturer at the Institute, you were also a colleague of mine at the University of Edinburgh and you held a part-time chair at Glasgow University after that. You went on much later to the Scottish Higher Education Funding Council, to the management and administration side of it. Tell me a bit about your journey in education.

I think having a father who was a teacher was significant. He ceased his formal education at school (in Switzerland at the age of 19, I think) and went on to get his degree by correspondence course. He became a teacher because that is what he wanted to do. He taught himself a whole lot of things in the course of his life. As a child and young person I observed in him someone for whom education was a passion. And I married a teacher’s daughter, so I was under strong influences! The Saturday mornings in Graham, Smart & Annan and the Thomson McLintock “tutorials” were also a sort of apprenticeship in teaching. One of the things that I was very glad about when returning to Scotland was being given the chance to take on a teaching job at the Institute. At that time it was very important to me not least because I got about twenty percent of my total income from part-time lecturing. (Junior partners’ rewards were deferred!) I also found it very interesting because of my view of education as influenced by my father. Incidentally, I realise I never talked much about my mother who was as big an influence. She was the people person in me. My father’s view of education, which is certainly my view, was that education is about liberating people. It is about opening doors and allowing people to find something with which they can connect with some passion. One of the rewarding things about part-time lecturing in the CA rooms was the motivation of students. The same thing was true of university students at Edinburgh and Glasgow - they were there because they
wanted to be. They made their motivation explicit. What is wrong with the current rhetoric about access to higher education is that the real issue is not whether you have enough money to get access to university but whether you have the motivation to explore subjects and exploit the opportunities that open up. That is why I care about education. I also enjoyed teaching as I suppose there is an element of the frustrated actor in me.

**We are all frustrated actors.**

That is true. I’m a frustrated but bad actor! I can recall a small number of extremely good students who stood out because they demonstrated interest and curiosity. They had a passion to learn. They would ask challenging questions. I am where I am because of education and I am very lucky to be where I am. Education provides opportunity. You may not want to exploit it economically but it will help you to understand your fellow man, the world you live in, the music you hear, or something you read.

**So it is much wider than just simply getting a meal ticket, a means to getting a job.**

Yes. Obviously, in mass education there has to be a process to ensure standards are maintained. But in a sense the examination is the least important part of education and those who pass examinations with the greatest ease are not necessarily the greatest beneficiaries.

With the Scottish Higher Education Funding Council, my disappointment was that we made no headway in encouraging the newer universities to redefine their missions in terms that did not look remarkably like the existing universities. It is a great pity that the idea of the polytechnic university did not survive the 1990s expansion. That is what some of the higher education institutions should be – polytechnic universities. (In that context it is interesting that the present
intensification of financial pressures and the prospect of competing more directly for students is, reportedly, encouraging some universities to redefine their portfolios of courses.) We made disappointingly negligible progress in encouraging greater rationalisation of activity throughout the enlarged Scottish university sector. And government policy, which required the Council to provide research funding to those institutions which had little track record or achievement in research, further wrecked any attempt to encourage differentiation. The experience also confirmed my fear that trying to operate as an “arms length” buffer body for disbursing funds for an activity that is politically sensitive and publicly funded is absurd. If the politicians take the decisions, they should carry the responsibility for the consequences.

**And not have anything to hide behind.**

That is right. There are all sorts of things that I regret about education and the way that education is structured, especially the demand now for size and volume. Like all organisations that depend on public funding, educational problems arise from political objectives, such as social engineering, which distract from the institution’s core mission and leads to downward pressure on standards and demotivation of staff in the most appalling way.

I was very lucky that I came to the Scottish Higher Education Funding Council on its creation and pre-devolution. I had been on the University Funding Council of Great Britain for a short while and continued to sit for a couple of years on the Higher Education Funding Council for England and Wales. So in relation to the Scottish Higher Education Funding Council I had some reference points and I could usually see how not to do things. We tried to do a number of things differently - some seemed to work quite well, others did not. One problem was the distortion of behaviour with research and teaching – resulting from different mechanisms to fund the two activities. The
evidence is pretty clear, where there is good research, there is good teaching.

**In terms of research, I find that judging research performance is more often than not done in terms of satisfying your peers rather than demonstrating that you have actually made good use of the money that was given to you. So it is the quality of the journal that you publish in rather than the quality of what you have said.**

Yes. That is right. It is all about these surrogates for standards. And in accountancy we suffer from quite insufficient interconnection between academics, who have the resources for research, and practitioners who have to solve the problems of the day as best they can.

**So it is internalising again. It is the same problem you had with Graham, Smart & Annan and Deloittes and so on.**

That is an interesting observation.

**Would you agree that a large part of the problem with universities is that it is rather like the asylum being run by the lunatics. I do not mean this unkindly of deans and principals, but generally speaking deans and vice-principals and principals come from the academic ranks and do not have the degree of professional management expertise that you expect in such large organisations.**

And they do not exploit or engage their lay members of court sufficiently in the formulation of strategy and oversight of its execution.

**Absolutely.**

It is a classic example of bad governance because the senior management you described regard the non-executives as the enemy. Their job is
seen by the executive as simply to approve everything that is being put to them. One of the reasons I left the Court of Edinburgh University was because the expectation was for the Court to simply nod through proposals with insufficient understanding of the background. There was no previous discussion or early warning of what was being thought about. Having a brilliant research record or a brilliant teaching record is not necessarily a good qualification for running a big business.

**It is very often the opposite.**

Yes. I agree with that entirely. But it is extremely difficult to find good non-academic managers able to win respect from academics. The traditional consensual approach to taking decisions in universities does not sit well with the need sometimes for rapid and decisive action or unpopular or radical decisions.

**One last question on education. ICAS has recently proposed that there be some route into the profession for school leavers, well-qualified school leavers. Do you agree with that?**

I think I do but it has to be carefully structured because we don’t want to revert to the former view that professional training was a total substitute for academic study. Both are needed. What I missed, and what you missed as well, from pre-degree entry was awareness of an intellectually robust framework. Having spent five years at Glasgow University as the Johnston Smith Professor under David Flint I completely support his vision that accountancy, in its wider meaning, is a proper academic subject for theoretical study and research. And such academic study is as necessary as a basis for accountancy training and practice as is the equivalent study for lawyers, doctors, architects and other professional disciplines. But I can agree in principle with the desirability of a secondary access route to the profession for students
unable for financial, family or locational circumstances to engage in preliminary academic study.

So you would want something equivalent to the academic year?

Yes. I would like to see at least an academic year for such students. I do not know what the plan is, but a five-year apprenticeship, which we did, with an academic year in year three (which came later) is appropriate. Ideally, I would like to add a further, new final year of academic study for everyone before becoming a member, three or four years in the office and two separate years of academic immersion. The thing I do not like about the proposals I have seen is changing the terms of the contract, dropping the principal from the contract. I regard the principal’s engagement as the most important thing. One of the virtues of our traditional contract is that the principal, the trainer, the person who undertakes the responsibility for the training has his obligations explicitly set out. He accepts personal responsibility.

And is accountable.

And is accountable for the training obligations. Because so many decisions and actions in the modern world have become collective responsibilities, the awareness and risks of individual responsibility and accountability have become obscured – almost totally.

And that takes you back to this idea of the professionals.

That is right.

Final question, in terms of all the change that you have seen in your career, what has been the most significant? I am thinking primarily of public accountancy.
I think I would put it in shorthand as being the loss of a profession and its conversion into a business. I find it discordant to read references to the accounting industry. When the profession becomes that it has lost its right to its special privileges and special expectations. I do not see that the value attached to a certificate awarded by a member of an industry can compare to one awarded by a member of a profession.

**The biggest signal of that change to me was when firms ceased to put Chartered Accountant after their name.**

It is a paradox that it is the individual’s membership of an Institute which is the basis for qualification to act as auditor but the report is now universally signed in the name of the firm. The identity of the individual practitioner who carries ultimate personal responsibility for the published opinion is concealed by the use of the collective name of the firm. And the firm’s description is chartered or registered auditors or something like that.

**Even accounting industry would be better than what you have - at least they mention the word accounting!**

Well I think it accelerates the possible next stage - state registration of auditors. It is easier to control an industry that is dominated by a small number of companies than it is to control a profession which consists of several thousand practitioners.

**In effect, if you look at the American experience recently with the Sarbanes Oxley Act in 2002, the profession is now regulated by a government body through the SEC. To me that is the end of what you would normally call a regular profession.**

Well the structure set up here, with the Institute now accountable to the Public Oversight Body for Accountancy is a move in a similar direction.
It seems difficult for any institution to claim professional status for its members if its Council is not the ultimate custodian of authority over them. Perhaps we are witnessing the death of professionalism – and not just in accountancy and auditing.