UNDERSTANDING THE PAST TO UNDERSTAND THE PRESENT-DAY CFO: THE CHIEF ACCOUNTANT AT GUINNESS, C. 1920-1940

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Resumen
Los estudios contemporáneos realizados sobre la figura de “Director Financiero” (Chief Financial Officer, CFO) señalan que antes de 1960 desarrollaban un papel exclusivamente contable (conocido como la figura del Chief Accountant o Director Contable), sin ninguna influencia sobre la dirección de la empresa. Sin embargo, diferentes investigaciones históricas ponen en duda tal percepción, pero carecen de información detallada sobre dicha figura. En base a ello, el objetivo del presente trabajo es proporcionar un análisis exhaustivo del Director Contable de Guinness Company (Chief Accountant) durante el periodo 1920-1940. Nuestros resultados muestran, bajo el enfoque de la Antigua Economía Institucional, como el Director Contable (Chief Accountant) no fue un “mero contable”, sino que antes de la existencia de una normativa en dicha materia, aconsejaba a la alta dirección, gestionaba riesgos e interactuaba con los financiadores externos, lo que evidencia un desarrollo gradual del papel del CFO a lo largo del tiempo. Por lo tanto, la reflexión histórica nos es útil parar lograr entender los términos modernos que han sido dados por supuestos.

Abstract
Contemporary studies of Chief Financial Officers (CFO) suggest that pre-1960 predecessors were bean-counters. Historical research sheds some doubt on this, but lacks detail on CFO predecessors. We provide a more in-depth analysis of a Chief Accountant from 1920-1940 at Guinness. Using Old Institutional Economics, our results suggest the Chief Accountant was not a bean-counter. We find that before substantial laws or accounting regulations, the Chief Accountant advised top management, managed risks and interacted with external financiers. We thus suggest a gradual development of the CFO role over time. Thus, historical reflection is useful to fully understand modern-day taken-for-granted terms.
1. Introduction

In contemporary research, Chief Financial Officers (CFO) are increasingly seen as number two in a firm’s hierarchy - second to the Chief Executive Officer (CEO) (Datta and Iskandar-Datta, 2014; Zorn, 2004). CFOs are also seen as (co-)leading the strategic course of firms. In some jurisdictions (e.g. the US) this gain in hierarchical power is also underpinned by regulation - the Securities and Exchange Commission (SEC) requires disclosure of compensation of the CEO and CFO in the annual proxy statements (Gore et al., 2011). The CFO has thus experienced an apparent significant role change in recent decades (Datta and Iskandar-Datta, 2014; Farag et al., 2012; Hiebl, 2013).

The CFO’s role has not always been this prominent. According to Zorn (2004), at the end of the 1960s less than 10% of the 500 largest firms in the United States (US) had a CFO position. Not holding the more prestigious CFO title, from today’s perspective, finance directors, chief accountants and financial controllers pre-1960s are often regarded as “bean counters” (Granlund and Lukka, 1998; Hiebl, 2013; Sharma and Jones, 2010; Zorn, 2004). Their responsibility was “to prepare the books and report back to higher level management on the overall financial risk and performance of the enterprise” (Sharma and Jones, 2010, p. 1). Such contemporary literature creates the notion that before the 1960s/1970s, CFO predecessors (finance directors, chief accountants, financial controllers) were more or less exclusively focused on bookkeeping and reporting. They did not delve into business partnering roles, which focus on advising the CEO/Board of Directors and/or acting as critical counterparts to managers (Goretzki et al., 2013; Graham et al., 2012; Granlund and Lukka, 1998; Weber, 2011). However, contemporary literature presents little empirical evidence to support the view that CFOs and accountants conformed to this bean counter cliché before the 1960s/1970s. The cliché is more taken-for-granted, with a view that contemporary CFOs have a more important and more “business partner”-like role compared to predecessors (e.g., Farag et al., 2012; Zorn, 2004).

However, an exploration of historical literature reveals the bean-counter cliché is questionable. For instance, Boyns and Edwards (1997a, 1997b) present evidence that 19th century accountants prepared information for managers, which was not just taking stock of the past (i.e. bookkeeping), but was used to “aid management decisions” (Boyns and Edwards, 1997b, p. 6), “to provide information to enable management to run their company efficiently” (Boyns and Edwards, 1997b, p. 12) and to “monitor progress” (Boyns and Edwards, 1997b, p. 20). Similarly, Matthews (1998, 2001) argues that 20th century accountants have always acted as management advisors, and thus, their work “was hardly
The First World War, and even more so after the Second World War, saw this advisory role increase as firms increasingly expanded their internal accounting departments (Loft, 1986; Matthews, 1998).

As firm increased size, internal accounting department's heads - with titles such as “chief accountants”, “finance directors” or “financial controllers” - reportedly gained importance (Matthews et al., 1997; Matthews, 1998). Despite this reported gain, historical studies lack details of such roles, and without detail we cannot justifiably attach the bean-counter cliché. Thus, the following questions remain open: What are similarities and differences in the roles of accounting department heads in the early 20th century compared to the roles of contemporary CFOs? Is the CFO role presented as more important today than in previous times? One way to answer such questions is to explore the work of a CFO predecessor prior to the 1960s. This paper provides an in-depth view of the role of the Chief Accountant at a large Irish company from about 1920 to 1940. This historic analysis of a “predecessor” role will, we hope, not only provide more detail, but also remind contemporary researchers that reflecting on the past can tell us a lot about present-day, often taken-for-granted concepts.

We thus present this paper as a historic study, but with our eye firmly on the value of even brief historical/archival research from contemporary research. The remainder of this paper is organized as follows. In Section 2, we present an analysis of contemporary CFOs’ roles and the (limited) insights in that of their predecessors. Section 3 sets out some concepts from Old Institutional Economics (OIE) which we adopt as a theoretical lens. Section 4 details our research methods, Section 5 detailing the main findings. Section 6 concludes the paper with a discussion of results and their implications.

2. Literature review

2.1 The role of contemporary CFOs

To allow us to compare the role of a Chief Accountant from the first half of the 20th century with a contemporary CFO, we need to first determine the role of a present-day CFO. To understand the term “CFO” itself, Mian’s (2001) definition is a useful starting point. It suggests that the CFO’s primary responsibility is the “management of the financial system of the firm”. Mian (2001, p. 144-145) further notes that the CFO usually “oversees preparation of financial reports and serves as the point person for external communication of financial strategy [and] bears the ultimate responsibility for activities related to raising capital and serves as the primary Wall Street contact”. Serving as the primary contact for capital markets has been noted as one important trigger for the increase in importance the CFO position has enjoyed.
in recent decades. The 1980’s shareholder value movement increased large firms’ orientation to investors. In response to this increased orientation, firms introduced CFO positions at board level and thus, the percentage of large US firms with CFO positions increased from virtually nil in the early 1960s to more than 80% at the end of the 20th century (Zorn, 2004)\(^1\). Thus, at least in listed firms, one important part of the contemporary CFOs’ roles is communicating with capital markets.

The importance and influence of the CFO in large listed corporations has also been revealed by studies on the impact of CFO characteristics/CFO turnover on accounting practices. For instance, Geiger and North (2006) report that firms with newly (externally hired) CFOs show a significantly lower level of discretionary accruals. Other studies similarly show that CFOs significantly affect accounting choices (e.g., Aier et al., 2005; Barua et al., 2010; Feng et al., 2011; Ge et al., 2011; Jiang et al., 2010; Li et al., 2010). Conversely, if errors occur in reported numbers (i.e. restatements), the literature suggests that due to their high influence on accounting, CFOs often have to bear the consequences and leave the firm (Arthaud-Day et al., 2006). The significance of finance and accounting functions for CFOs’ roles is also exemplified by findings suggesting that key finance and accounting functions such as management/cost accounting, financial accounting or treasury are overseen by CFOs (Bremer, 2010; Hiiebl et al., 2013). In summary, this evidence suggests that another component of contemporary CFOs’ roles is taking responsibility for accounting choices. Additionally, weak firm performance has been found to be a predictor of CFO turnover, which indicates that contemporary CFOs are increasingly seen as driving and taking responsibility for firm performance (Buettner et al., 2013; Mian, 2001).

Another aspect of contemporary CFOs’ roles is increasingly seen in acting as business partner/key advisor to fellow top managers (Baxter and Chua, 2008; Favaro, 2001; Granlund and Lukka, 1998); often leading the strategic course of a firm with the CEO (Datta and Iskandar-Datta, 2014; Farag et al., 2012; Zorn, 2004) – see for example evidence from the CFOs of the largest South-African firms (Voogt, 2010). The vast majority of these CFOs report that their main focus area is not acting as compliance and transaction officer, but serving as planner and strategist. Voogt (2010) also presents evidence that CFOs envisage investing significantly more their working time to enterprise risk management. Similar to Voogt’s (2010) results, survey results from the largest Australian firms indicate that CFOs

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\(^1\) Before the shareholder value movement starting at the end of the 1980s, Zorn (2004) notes that changes in accounting regulation in the 1970s have already forced some large US firms to create CFO positions at board level.
increasingly draw on strategic and leadership skills in order to contribute to value creation in the respective firms (Sharma and Jones, 2010).

It should be noted that the changing role of CFOs towards a strategist role in contemporary organizations is not uncontested (e.g., Baxter and Chua, 2008; Bremer, 2010; Hiebl and Feldbauer-Durstmüller, 2014; Howell, 2002; Lüdtke, 2010). One reason for this may be that many studies on the CFO’s strategist role are based on closed survey questions (see Sharma and Jones, 2010; Voogt, 2010). Thus, due to social desirability bias when completing surveys (Nederhof, 1985), CFOs may claim to have more strategic roles than that reflected in their work. For example, Bremer (2010) and Lüdtke (2010) report that in listed German firms, more strategic corporate functions are more likely to be the CEO’s responsibility. Hiebl et al. (2013) suggest this finding also applies to medium-sized firms. Their survey results show that - if present - more strategic corporate functions are headed mainly by the CEO. However, Hiebl et al. (2013) indicate that the CFO is typically involved in the strategic planning process.

In summary, we could say that today most CFOs of large corporations are part of the respective firm’s board of directors. An important part of their role seems to be communication with capital markets. However, there is also evidence that CFOs are still concerned with, and exert decisive influence on, the accounting functions of their firms. There is also some evidence that modern-day CFOs increasingly act as strategists and oversee enterprise risk management functions, although there is some debate in the literature on the extent to which this latter part of the CFO role has already materialized.

2.2 The role of “accountants” in the first half of the 20th century

The term “CFO” is a relatively new one. According to Zorn (2004), it first appeared in 1966 at the firm Dan River Mills. Before this time, executives in charge of US firm’s financial systems held titles such as “(executive) vice president of finance”, “financial controller” or “treasurer” (Whitley, 1986; Zorn, 2004). In the United Kingdom (UK), even today, the term CFO seems to be not overly common and executives responsible for the financial system typically have the title “(group) finance director” (Graham et al., 2012; Hussey and Lan, 2001). However, even the title “finance director” is not very common until after the Second World War (Matthews et al., 1997; Matthews, 1998). Before this time, executives heading internal accounting departments were referred to as “chief accountants” or “financial controllers” (Matthews, 1998).
Existing research exploring the role of accountants in the first half of the 20th century is somewhat lacking in detail. It typically explores accountants in certain industries or accountants as a group in society (see for example, Boyns and Edwards, 2007; Boyns et al., 2004; Fleming et al., 2000; Loft, 1986; Matthews 1998, 2001; Matthews et al., 1997; McKinstry, 1999; McLean, 2013; McLean et al., 2014). It does not delve into details of the role of accountants at various hierarchical levels, nor yet offer an in-depth view of the role of chief accountants at this time. However, for the purposes of this study, the extant literature does offer some insight into important developments for accountants in more general terms in the first half of the 20th century; this is useful to the study of chief accountant’s roles. Most of the extant literature is UK-focused, and thus the following review primarily details this context.

At the beginning of the 20th century, most firms in the UK employed few if any qualified accountants. Instead, they relied on the service of public accounting firms for accounts preparation and audit work (Fleming et al., 2000; Loft, 1986; Matthews, 1998; Matthews et al., 1997; McKinstry, 2000). Public accountants also acted as advisors and as non-executive directors in many British firms (Matthews, 1998, 2001) - suggesting accountants at this time were not confined to “bean-counting”, but served as valued counterparts for senior management personnel. However, as noted, this observation applies to external (public) accountants, and not internal accountants.

The First World War (WW1) was a driver of change in the accounting profession. Several studies (Boyns et al., 2004; Fleming et al. 2000; Loft, 1986) report an increased focus on cost accounting in many UK firms during and after WW1. During WW1, firms often lacked market prices for their outputs. Thus, they relied on more sophisticated costing techniques to establish prices. In turn, the government relied on cost investigation departments, to prevent suppliers profiteering based on excessive costs. Thus, both government and contractors had an increased need for cost accounting and qualified accountants; indeed, this resulted in a shortage of cost accountants (Loft, 1986). After WW1, the importance of cost accounting continued to rise, culminating in the formation of the Institute of Cost and Works Accountants (ICWA) in March 1919 (see Armstrong, 1987).

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2 This does not suggest that prior to WW1 accountants were somewhat lacking in the application of cost accounting techniques, as it has been suggested by some scholars (Locke, 1979; Solomons, 1952). As shown by Edwards et al. (1995) and Boyns and Edwards (1997), in the 19th century firms used various cost accounting techniques. While it can be contested if engineers or accountants were the driving force behind such cost accounting systems (Boyns and Edwards, 2007; McLean, 2013; McLean et al., 2014) before the First World War, the increased focus on cost accounting during the war lead to an increase in the number of internal (cost) accountants (Loft 1986; Matthews, 1998).
subsequent economic depression from 1920-1925 forced many firms to focus on costs (Boyns and Edwards, 2007; Boyns et al., 2004; Fleming et al., 2000; Loft, 1986; McKinstry, 1999). Thus, the number of internal (cost) accountants rose, and the size of accounting departments in many firms increased (Matthews, 1998). This increase in accounting department size most likely resulted in an increasingly important role for chief accountants and financial controllers. Indeed, there is evidence that the 1920s saw the first finance director positions in British firms (Boyns and Edwards, 2007; Matthews, 1998).

The above-mentioned observations primarily applied to large firms. It is quite likely that most UK companies had not established sophisticated cost accounting systems at this time. Smaller firms continued to operate with rather crude costing systems until well after the Second World War (Boyns and Edwards, 2007; Loft, 1990), which of course may have held back the development of the chief accountants’ roles in such firms. The period from the late 1920s until the Second World War (WW2) witnessed further developments of accounting systems e.g. introduction of cost accounting techniques such as standard costing, marginal costing and budgeting (Boyns and Edwards, 2007; Boyns et al., 2000). Also at this time, more qualified accountants moved from public accounting firms to industrial firms. This increased the formalization and professionalization of internal accounting procedures in industrial firms (Matthews, 1998, 2001). Alongside the growing number of qualified accountants employed in firms, Matthews et al. (1997) also noted a sharp increase in the number of company directors who were qualified accountants from the 1930s. Although the mentioned literature suggests an increasingly important place for accountants in industry, it does not provide much detail on what these accountants actually did. As we have noted, the bean-counter cliché seems to be the accepted view of pre-CFO accountants. Indeed, contemporary literature still continues to cite this role (see for example, Doran, 2006; Friedman and Lyne, 1997; Granlund and Malmi, 2002). And, contemporary literature seems to attribute the “birth” of the CFO to external factors (Zorn, 2004). Even our brief review of the literature suggests this is not the full picture, and with a more detailed account of the role of CFO predecessors we may obtain a clearer understanding of how “different” a modern-day CFO actually is. Before providing this detail, we first detail our theoretical lens for this study.

3. Theory

In essence this paper is a study of change; we compare the role of modern-day CFO to a similar past role. There are several useful ways to study organizational and accounting change - for example actor-network theory (Latour, 1987), structuration theory (Giddens, 1979), institutional theory, a contingency approach (Burns and Stalker, 1961; Donaldson,
or a processual approach (Dawson, 2003). In the management accounting literature, institutional theory has been widely used and we adopt Old Institutional Economics (OIE) to inform this study. New Institutional Sociology (NIS) could be useful for a more macro-level study of why CFO roles appear similar in many companies (see Zorn, 2004). NIS\(^3\) has its roots in sociology and is premised on the assumption that external factors cause homogenization amongst organizations (Moll et al., 2006) and cause them, for example, to follow the same rules and regulations and emulate other organizations (DiMaggio and Powell, 1991). Groups of organizations with similar overlapping characteristics constitute what DiMaggio and Powell (1991) refer to as an “organisational field”. Over time, they argue “powerful forces emerge that lead them to become similar” (1991, p. 65). Scott (2014) suggests three isomorphic pressures – mimetic, normative and coercive. Through these pressures, institutions are formed and/or remain stable. Zorn (2004), in his seminal paper on the rise of the CFO draws on tenets of NIS, and in particular coercive isomorphism - namely a change in accounting regulations in 1979.

One on-going criticism of NIS is that it emphasizes the macro nature of institutions as opposed to the “micro” (individuals, rules, routines and habits) of OIE. From a management accounting perspective, Johannson and Siverbo explain the difference quite nicely as “NIS explains how management accounting innovations come to organizations and OIE explains what happens to the innovations thereafter” (2006, p.148). The period of time covered by our research is arguably less suited to NIS for several reasons. First, there was a lack of detailed accounting or company regulation - thus coercive pressures were minimal compared to the 1963-2000 timeframe studied by Zorn (2004). Second, the management accounting profession was relatively new and normative pressures from the profession were less apparent. Third, although it has been argued that globalization began in the latter half of the nineteenth century (O’Rourke and Williamson, 2002), it is reasonable to assume firms did not become global players until at least after WW2. Thus, mimetic isomorphism is less likely. We must then draw on OIE concepts such as rules and routines to explain how accounting practices, and the roles of actors performing them came about.

While much has been written on rules and routines in management accounting (see Oliveira and Quinn, 2014 for a detailed review) we are less concerned with the intricacies of these

\(^3\) NIS has been utilized in recent management accounting research, for example, to explain the convergence of management accounting practices in response to such external influences as political pressures, regulatory changes and cultural factors (see for example, Nor-Aziah and Scapens, 2007; Seal, 2006; Tsamenyi et al., 2006).
phenomena here. However, we should define rules and routines. Pentland (2011, pp. 280–281) reviews much extant research to define routines as having four essential components: 1) routines are repetitive, 2) a recognizable pattern of action occurs, 3) actions are interdependent, and 4) multiple actors are involved. We define rules as suggest by Quinn as “a physical representation of a routine, which are formalized in a documented fashion” (2011, p.344). Thus, for example, an instruction manual would be regarded as a rule. By identifying rules and routines associated with a CFO type role, we can tease out the regular practices they engaged in and subsequently provide a clearer picture of what they did. This allows us to compare and contrast with the role of modern day CFOs and determine key differences or similarities.

4. Methods

This study utilizes the records from the Guinness corporate archive. This archive was chosen as recent research (Quinn, 2014) suggests it has detailed records on internal accounting. The company itself is presently part of Diageo plc, and has been one of the largest employers in Dublin city for many years. The archival records extend from 1759 to date, with a 30 year hold on document release. The period chosen for our research is approximately 1920-1940. This period was chosen for two key reasons 1) it is post WW1 and reflective of the time when extant literature suggests acountants roles may have been increasings important, but largely a bean-counting one and 2) there were virtually no external regulatory influences on the work of accountants.

According to Scott (1990), the quality of archival documents can be assessed according to four criteria. First, authenticity – is the evidence genuine and of unquestionable origin? For this study, all documents were examined at the archive and can be verified as genuine. Second, credibility – is the evidence free from error? For this study, the records examined were internal reports, memoranda, manuals and other written correspondence pertaining to the Chief Accountant. Such records are a credible source. Third, representativeness – is the evidence typical of its kind? The records used were typical of normal accounting/management records, and similar in substance to this described by Quinn (2014). Fourth and finally, meaning – is the evidence clear and comprehensible? The majority of documents examined were typed, clearly filed and contained cross references to other documents, and thus meaning was easily established. The archive retains many records.

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4 The 1948 Companies Act (UK) was generally applied in Ireland until 1963, when the first major Irish act was introduced. Accounting standards did not exist in the UK/Ireland until 1971, when SSAP1 was introduced.
which are reflective of what Scott (1990, pp. 81-82) terms recurrent, regular and special administrative routines. Recurrent records are a necessary part of the daily operations of an organization; regular records are regularly produced, but not an essential element of daily operations; special records are reflective of ad-hoc situations and requests. Recurrent and special records were the primary source used here, the majority of which were drawn from the Chief Accountant’s papers. Following an initial contact with the archivist, access was granted to the records as shown in Table 1. After an initial examination of these files, we did not utilize the Salaries file in detail as it contains routine salary calculation methodologies and details of income taxes. However, it is clear from this file that salary calculations were one of the Chief Accountant’s tasks. Documents with the Trade Ledger, Red Ledger and Chief Accountants were examined in detail and digitally photographed for ease of analysis.

<table>
<thead>
<tr>
<th>Archival Classification</th>
<th>Brief description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade ledger</td>
<td>Customers’ accounts, savings accounts, records of sales, cash office, cashiers books, ledgers including sales figures.</td>
</tr>
<tr>
<td>Salaries</td>
<td>Matters on the recording of staff salaries (in accounting department and for managers), calculation of the amounts for payment, staff budgets, estimates of staff costs, income tax on salaries, life assurance files, privileges and death duties.</td>
</tr>
<tr>
<td>Red Ledger</td>
<td>The financial accounts of the company, Profit and Loss Account and Balance Sheet, annual reports, historical review, history of red ledger, analysis of sales.</td>
</tr>
<tr>
<td>Chief Accountant</td>
<td>Various files on matters such as rental property, insurance, pension funds.</td>
</tr>
</tbody>
</table>

Table 1 - Archival records of the Chief Accountant.

An additional classification “Audit” is also present in addition to those in Table 1. This series of files relates to internal audit of all financial transactions, contracts of employees, department accounts and simplification of accounts. This file has not been fully catalogued and access was not possible.

Although Quinn (2014) sets out a quite detailed method for identifying what documents are reflective of rule and routines, this study is less concerned with establishing precisely if
something is a rule or routine. As described in Section 3, rules and routines are micro-level concepts associated with OIE and have been used to study stability and change in management accounting practices. As noted by Johansson and Siverbo (2006), a trigger for new rules and routines is external regulation. But, it can also stem from existing practices (Burns and Scapens, 2000). The time period of this study is largely devoid of regulation; thus unless otherwise indicated we assume accounting rules and routines at Guinness stem from internal forces. We do not explore how such rules and routines were created. However, we seek to establish if the accounting practices incorporated in the role of the Chief Accountant are regular, repetitive, similar over time and involve multiple actors, i.e. are by definition, a routine (Pentland, 2011) and possibly also be a rule i.e. formalized and written. These regularized practices allow us to provide a more complete picture of what the Chief Accountant actually did on a day-to-day basis. We can contrast this with the typical role of a modern day CFO. Finally, it should be noted we cannot observe actual routines from archival records, as there are no actors. We can observe artefacts of routines i.e. documents such as ledgers, memoranda and reports which are the outputs of action.

5. Findings

As noted in Table 1, the papers of the Chief Accountant are categorized according to what we could term role functions. Our findings are presented in a similar fashion, but we first present an overview of the Chief Accountant and the Accounting Department they controlled.

5.1 The Chief Accountant and the Accountant’s Department

The Chief Accountant was the head of the accounting department at Guinness. Tables 2 and 3 provide some personal details of the Chief Accountants and the staff numbers within the Accountant’s Department. As can be seen from Table 2, Chief Accountants were promoted from within, having previously worked as Deputy Chief Accountant. We searched the archives for a job description document which detailed the role of the Chief Accountant, but none were found. We have however established from the publicly available portion of his personnel file, that Richard Clarke was appointed Chief Accountant in preference to another candidate, even though the other candidate was a Chartered Accountant. Clarke joined the Accountants Department in 1919, and his probation report of that year reads “an excellent official though of course without previous experience in Accounts”. Although not within the period of analysis

5 See D’Adderio (2011) for a detailed discussion.
6 Access to personnel files is limited for confidentiality reasons.
of our research, the archives also reveal that H. Murdock, the Deputy Chief Accountant to Clarke, was appointed Chief Accountant in 1949 and remained in the role until 1962.

<table>
<thead>
<tr>
<th>Name</th>
<th>Detail</th>
</tr>
</thead>
<tbody>
<tr>
<td>J A Hayes</td>
<td>Chief Accountant, 1911-1919</td>
</tr>
<tr>
<td>Archibald H Carlyle</td>
<td>Joined brewery 1902, appointed Head of Audit Department 1929, Chief Accountant and Auditor May 1938 - Sept 1939, appointed Assistant Managing Director 1939.</td>
</tr>
</tbody>
</table>

Table 2 - Chief Accountants c.1920-1940.

Table 3 shows the numbers of staff employed within the Accountants Department\(^7\). Staff defined as #1 Staff were management level staff, including the Chief and Deputy Chief Accountant, and persons responsible for oversight of the Trade and Red Ledgers. The numbers in Table 3 are extracted from an annual “Estimate of Staff Requirements” report presented to the Board of Directors. Staff salaries are not available for the analysis period, but a 1947 memorandum from Managing Director to Chief Accountant records the latter’s annual salary at £2,200\(^8\), the Deputy Chief Accountant’s salary at £1,200 and Clerks’ salaries ranging from £170 to £540. This indicates the level of importance of the Chief Accountant. Other papers in the Chief Accountants file reveal that Clerks had to pass an internal examination before appointment. These budding Clerks came from various other areas of the Brewery.

\(^7\) According to Dennison and MacDonagh (1998, p.115), the St. James’s Gate Brewery of Guinness employed just under 3,500 workers at the end of 1913.

\(^8\) The annual salary of the Head Brewer (equivalent to the Chief Operating Office today) was £4,000 at this time. Like the Chief Accountant, the Head Brewer was not a director or member of the board at this time. However, these two positions were the most senior after the director positions.
<table>
<thead>
<tr>
<th>Year</th>
<th>#1 Staff</th>
<th>Lady Clerks</th>
<th>Comments*</th>
</tr>
</thead>
<tbody>
<tr>
<td>1940</td>
<td>11</td>
<td>46</td>
<td>Less trade analysis required, thus less Clerks.</td>
</tr>
<tr>
<td>1939</td>
<td>11</td>
<td>48</td>
<td></td>
</tr>
<tr>
<td>1938</td>
<td>10</td>
<td>47</td>
<td></td>
</tr>
<tr>
<td>1936</td>
<td>10</td>
<td>53</td>
<td></td>
</tr>
<tr>
<td>1935</td>
<td>10</td>
<td>53</td>
<td>Increase due to shortages in 1934. Shortage resulting from increased trade and poor training. Park Royal Brewery (London) accounting done initially by Dublin (see Quinn, 2014).</td>
</tr>
<tr>
<td>1934</td>
<td>10</td>
<td>45</td>
<td></td>
</tr>
<tr>
<td>1933</td>
<td>11</td>
<td>45</td>
<td></td>
</tr>
<tr>
<td>1932</td>
<td>11</td>
<td>49</td>
<td></td>
</tr>
<tr>
<td>1931</td>
<td>11</td>
<td>50</td>
<td>In 1929, company introduced Smith Premier Accounting Machines. These were in effect typewriters that added numbers as they typed. The number of Clerks was thus reduced over time.</td>
</tr>
<tr>
<td>1929</td>
<td>11</td>
<td>61</td>
<td></td>
</tr>
<tr>
<td>1927</td>
<td>12</td>
<td>65</td>
<td>The reduced #1 Staff figure is due to less Trade Ledger staff.</td>
</tr>
<tr>
<td>1926</td>
<td>15</td>
<td>67</td>
<td></td>
</tr>
<tr>
<td>1925</td>
<td>15</td>
<td>48</td>
<td></td>
</tr>
</tbody>
</table>

Table 3 - Accountant's Department staff numbers 1925-1940.

The Clerks in the Accountant’s Department performed daily bookkeeping and report preparation, and reported to the Chief Accountant. In today’s age of technology it is difficult perhaps to appreciate the work involved in routine bookkeeping at this time. A requisition to the Printing Department at the company in 1929 noted 1,152 bound ledgers were required for the coming year, of which 972 were for direct use by the Accountant’s Department. Although not always the case in the present-day CFO, the term “Officer” suggests the CFO is a member of the Board of Directors. A search of the Board minutes at Guinness reveals that the Chief Accountant did not normally attend Board meetings during the research timeframe examined. However, the Chief Accountant’s files does provide evidence that the Board was regularly advised on all matters relating to cost within the brewery - for example, the staff requirements and associated costs shown in Table 3 were reported to the Board. Quinn (2014) also noted that the Accountant’s Department regularly received updates on...
costs from other departments such as the Cooperage and Engineering. Thus, regular lines of reporting in and out of the Accountant’s Department were well established.

In summary, the picture we have of the Chief Accountant is of someone who 1) learned their trade within the business, 2) was not professionally qualified, 3) managed a large department, 4) reported and advised the Board of Directors and 5) had inbound reporting lines from other departments. With this picture in mind, we now explore some of the regular tasks of the Chief Accountant, beginning with routine ledger recording tasks.

5.2 Trade and Red Ledger
The Trade Ledger was the accounts receivable ledger, whereas the Red Ledger was the nominal ledger. We will first detail the tasks involved with the Trade Ledger, and then the Red Ledger.

As noted in archive catalogue, with the Trade Ledger “insight can also be gained into the accounting procedures and practices at the Brewery”\(^9\). The records used to derive Table 3 reveals that in 1925 there were five accountants (#1 Staff) assigned to the Trade Ledger, but this number fell in 1927. The records also reveal that the vast majority of Clerks - in excess of 90% were allocated to Trade Ledger tasks. These tasks included recording of sales, maintaining customer accounts, recording loss of beer in transit, furnishing statements of account to customers, analyzing trade by region, managing customer returns, requesting payments from customers and dealing with external auditors. These rather routine tasks were monitored by the Chief Accountant, and a detailed instruction manual existed covering many Trade Ledger related matters. We noted this instruction manual increased in size from 73 pages in 1922 to 305 pages by 1925. This increased formality of procedures came at a time of declining sales (Dennison and MacDonagh, 1998, pp. 160-175). While we cannot be certain, the instruction manual may have allowed more work to be done directly by Clerks, and thus explain the decline in #1 Staff associated with the Trade Ledger. The latter in turn may have been a direct consequence of falling sales.

From the Red Ledger portion of the Chief Accountants files, we can piece together the associated tasks. There were approximately six #1 Staff dedicated to the Red Ledger, supplemented by one or two Clerks. Although no actual Red Ledgers survive, the files clearly show they were the nominal ledgers used to prepare the company financial statements -

\(^9\) File series GDB/FN01/0001.
which implies they used summary data from the Trade Ledger. The Chief Accountants files include numerous examples of annual financial statements, which are presumably outputs of the Red Ledgers themselves. The instruction manual mentioned earlier does not include instructions on maintaining Red Ledgers - Trade Ledgers and Stores Ledgers are the two primary topics. This lack of instructions, and the smaller number of Clerks assigned to the Red Ledger suggests that the higher level ledger-keeping and financial statement preparation work was done mainly by the #1 Staff i.e. the Chief Accountant, his Deputy and other managerial grade accounting staff.

5.3 Chief Accountant’s miscellaneous tasks

From our examination of the records, other key responsibilities of the Chief Accountant were property management, risk management (insurance) and investment management. Taking property management first, the Chief Accountant’s file reveals that Guinness had quite extensive property interests. Rental income from these properties was accounted for by the Accountant’s Department, as was the income taxes due on the rental income. This portion of the file is quite extensive as each property is separately analyzed. The file also details properties rented by Guinness. For such properties, the Chief Accountant had to inform the Board of Directors if any lease was to expire within the following twelve months. In general, correspondence in this file is between the Chief Accountant and/or Deputy Chief Accountant and the Board of Directors, and between the Chief Accountant and/or Deputy Chief Accountant and landlords/tenants. The role of Clerks appears limited. Second, this file also provides evidence of the role of the Chief Accountant in ensuring insurance is in place not only on the rental properties, but also on items such as hops on farms, fire insurance and general buildings and other insurance. This risk assessment and insurance role is also noted by Quinn (in press). Third, the file reveals the Chief Accountant was responsible for investing excess cash in deposit accounts and in some equities. The annual accounts of Guinness from 1920-1940 show the company held £1-2 million in cash and deposits. Throughout this period, the Chief Accountant received regular account balances from Glyn Mills & Co (London) and the Bank of Ireland. Bank accounts were held in pounds and US dollars. There is also evidence of instructions to these banks to transfer funds into and out of deposit accounts. Towards the end of this time period and into the early 1940’s, there is evidence of investments made in stock of companies such as London Power Company Ltd, Edmundsons Electricity Corporation Limited (London) and the Forth Bridge Railway Company.

5.4 The Chief Accountant’s role - rules and routines

As noted previously, we do not in this paper explore the intricacies of rules and routines. Rules here are formal and written guidelines, and routines are defined according to the four defining characteristics given by Pentland (2011). If we can establish the rules and routines associated with the Chief Accountant, we can establish the essence of their role. A role has been defined by Biddle as “behaviours characteristic of one or more persons in a context” (1979, p.58). Although we do not draw on role theory here, rules and routines either guide behavior (rules and ostensive routines) or are behavior (performativ routines). Thus, we can through rules and routines provide a reasonable view of the Chief Accountant’s role.

<table>
<thead>
<tr>
<th>Task</th>
<th>Basis of conclusion</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade Ledger tasks</td>
<td>Repetitive - daily and regular tasks e.g recording sales, customer receipts</td>
</tr>
<tr>
<td></td>
<td>Multiple actors - Clerks, Chief &amp; Deputy Accountant</td>
</tr>
<tr>
<td></td>
<td>Similar pattern of action - similar tasks, reports and records over time</td>
</tr>
<tr>
<td></td>
<td>Interdependent tasks - sales ledgers summarized for reports and posting to the Red Ledger.</td>
</tr>
<tr>
<td>Red Ledger tasks</td>
<td>Repetitive - regular ledger entries</td>
</tr>
<tr>
<td></td>
<td>Multiple actors - Chief &amp; Deputy Accountant, #1 Staff</td>
</tr>
<tr>
<td></td>
<td>Similar pattern of action - similar report outputs over time - profit and loss account, balance sheet</td>
</tr>
<tr>
<td></td>
<td>Interdependent tasks - Red Led ger s ummarized t o pr oduce financial statements</td>
</tr>
<tr>
<td>Property management</td>
<td>Repetitive - regular file updates on many properties</td>
</tr>
<tr>
<td></td>
<td>Multiple actors - Chief &amp; Deputy Accountant, #1 Staff, landlords, tenants</td>
</tr>
<tr>
<td></td>
<td>Similar pattern of action - similar format of files over time</td>
</tr>
<tr>
<td></td>
<td>Interdependent tasks - information passed to Board for decision-making.</td>
</tr>
<tr>
<td>Cash/investment management</td>
<td>Repetitive - regular file updates</td>
</tr>
<tr>
<td></td>
<td>Multiple actors - Chief Accountant, banks</td>
</tr>
<tr>
<td></td>
<td>Similar pattern of action - similar format of files over time</td>
</tr>
<tr>
<td></td>
<td>Interdependent tasks - information used to prepare reports and financial statements</td>
</tr>
</tbody>
</table>

Table 4 - Routines of the Chief Accountant/Accountants Department.

Summarizing the previous three sub-sections in rules and routines terms, the Chief Accountant/Accountant’s Department had several rules and routines. Taking rules first, the Instruction Manual for the Trade Ledger Department is a rule - it is written and guides action. All the tasks described in Sections 5.2 and 5.3 are routines, see Table 4. In addition to the rule (instruction manual) and the routines as per Table 4, we can also say that the Chief
Accountant was leading the Accountant’s Department. We can summarize the Chief Accountant’s role as follows:

- leading the Accountant’s Department - which includes ensuring it is well staffed
- overseeing all matters of cost and revenue recording - the Red Ledger and Trade Ledger
- summarizing costs and revenues to prepare financial statements
- advising and reporting to the Board of Directors on matters of cost
- managing company rental properties
- assessing risks and arranging insurance as appropriate
- managing company cash
- working with other departments on matters of cost.

6. Discussion and conclusions

In our introduction to this paper we posed several questions on the role of a modern-day CFO in comparison to similar roles in the past. These questions centered on similarities and differences in the roles of accounting department heads in the early 20th century compared to the role of the contemporary CFO. From the previous section, it is apparent that the Chief Accountant’s role was quite an important one at Guinness in the time from 1920 to 1940.

When comparing the picture painted by existing literature on the role of the modern-day CFO (see Section 2.1) with our analysis of the role of the Chief Accountant at Guinness in the early part of the 20th century, we can identify both significant similarities and differences. Taking similarities first, not surprisingly our findings suggest that like a contemporary CFO, the Chief Accountant at Guinness also exerted great influence on the finance and accounting functions. For the Chief Accountant and his subordinates, recording and overseeing all matters of costs and revenues involved considerably more manual work than in modern firms. Nevertheless, both research on the contemporary CFO and the findings here suggest that core finance and accounting tasks - such as overseeing and analyzing accounts - have been and still are at the core of the CFO/their predecessor.

Another similarity is the close interaction with other managers and the board. In line with previous historical research (Boyns and Edwards, 1997b; Matthews, 1998, 2001), our analysis suggests that Chief Accountants at that time were not detached from other managerial personnel and only concerned with bookkeeping, but were actually involved in managerial discussions and consultations with the board of directors. Although such
interactions may be even more important for the modern-day CFO and comprise a larger part of their work, our evidence suggests the bean-counter cliché of CFO predecessors portrayed in contemporary literature is somewhat unjustified. Another interesting similarity between the Chief Accountant’s role at Guinness and the contemporary CFO is the tasks additional to core finance and accounting functions. Contemporary literature on the CFO suggests they should invest more time on risk management (Voogt, 2010). Nearly a century ago, the Chief Accountant’s tasks included risk management routines - although at an operational level. And, while contemporary CFOs often act as value drivers for their employers (Farag et al., 2012; Sharma and Jones, 2010; Voogt, 2010), we can also identify routines in which the Chief Accountant at Guinness directly contributed to his firm’s top line and thus to value creation - namely by managing Guinness’s rental properties.

There are also some differences between the contemporary and past roles. The most obvious is that the Chief Accountant at Guinness did not have much material interaction with capital markets. While Guinness has been listed since 1886, the interactions between the firm and its shareholders was generally less frequent and less extensive than today. In effect, the sole interaction was an annual letter to shareholders and a copy of the four page annual report and accounts. Although the Chief Accountant may not have communicated with shareholders on a regular basis, he did have quite regular communication (routines) with other financiers i.e. banks. Again, this finding contributes to a picture of Chief Accountants in the first half of the 20th century, who were not isolated in their offices “bean-counting”, but who also had regular interactions with contacts outside their own firm. Another difference between the two roles is the hierarchical position of a contemporary CFO and the Chief Accountant at Guinness. While the latter was not part of the Board of Directors, the former regularly are. This might also explain why modern-day CFOs seem to be more involved in strategy discussions and strategic planning than the Chief Accountant at Guinness.

In summary, our findings contribute to a better understanding of the roles of head accountants in the earlier parts of the 20th century and add some detail to the existent literature on the role of accountants in this period (Boyns and Edwards, 2007; Matthews, 1998, 2001; Loft, 1986, 1990). Our analysis suggests that the Chief Accountant at Guinness does not (fully) fit into the bean-counter cliché attached to heads of accounting before the 1960s. This points to a more gradual development from chief accountants with a higher focus on transactional tasks and a lower hierarchical standing inside the firm to the modern-day CFO role. Such a gradual development occurred in this case in the 1960s. 

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11 During the period of analysis, the ordinary share capital at Guinness remained constant at £5m.
development stands in contrast to a more radical change from bean-counters to strategists, as suggest by contemporary CFO literature (e.g., Zorn, 2004). More generally, our findings suggest that historical/archival research is useful to gain a more complete picture about the evolution of the CFO role. Indeed, we would suggest that of contemporary day use of many accounting terms is lacking in historical understanding of the term. We would thus encourage contemporary researchers to engage in some historical research from time-to-time—it can but enlighten our contemporary knowledge.

Of course, our study has limitations and points to future research needs. First, the Guinness archive represents a single case and as such, may include some unique contextual variables which may not be present in other firms. Further archival research would be useful to determine the features of CFO-type roles in other settings. Similarly, for the above-discussed reasons, we focused on a certain time frame. Future research is needed to examine other timeframes (e.g., 1940 to 1960) to bridge our knowledge with the work of Zorn (2004) for example. Second, as noted we cannot observe routines in action at archives; instead we analyze artefacts of routines. These artefacts, despite being clear and complete, do not fully capture the nuances of actors’ behavior. However, as we do not delve into the detailed acting out of routines or how they were formed, our higher level analysis does allow us to gain a general view of the Chief Accountant’s role.
References


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