KENNESAW STATE UNIVERSITY ORAL HISTORY PROJECT

INTERVIEW WITH

DANA R. HERMANSON

CONDUCTED BY THOMAS A. SCOTT and DEDE YOW

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TS: Dana, I wonder if we could begin with your telling us when you were born and where you were born and just a little bit about where you went to school.

DH: Okay. I was born in 1964 in the Washington, D.C., suburbs. My mother [Dianne P. Hermanson] was a homemaker and created a wonderful environment for all of us. My dad was a professor at the University of Maryland at the time, an accounting professor.

TS: Oh, near College Park.

DH: That's right. We lived in Hyattsville, near the campus, and later moved to Silver Spring. We were in Maryland until 1973 when my dad took a job at Georgia State. We came down here and lived in Atlanta from '73 until I went to college at the University of Georgia, undergrad, in '82.

TS: What's your father's name?

DH: Roger H. Hermanson.

TS: So he came here as a professor of accounting at Georgia State?

DH: That's right. He was there from '73 to '97.

TS: So he retired in '97?

DH: That's right.

TS: Okay. Well, one of the things we often ask is how someone got interested in their discipline; I guess you inherited it.

DH: That's right. I inherited it. My wife Heather [M. Hermanson] and I are both accounting professors here. My sister [Susan Ivancevich] and her husband [Daniel Ivancevich] are both accounting professors at UNC [University of North Carolina at] Wilmington. So we have five accounting professors in the family.

TS: My goodness. So I guess you went to public schools in Atlanta?

DH: That's right. I went to North Springs High School and then the University of Georgia. I majored in accounting and worked with Ernst & Young—Ernst & Whinney at that time—from '86 to '89. I met Heather at the firm.

TS: That was in downtown Atlanta?

DH: That's right. I worked in the audit practice.

TS: So that's after you got your bachelor's degree?

DH: That's right.

TS: So you worked for Ernst & Whinney? I don't even remember that name.

DY: I do.

TS: Do you?

DH: It was Ernst & Ernst, then Ernst & Whinney, and then Ernst & Young.

TS: Okay. I guess they're headquartered in New York?

DH: I think at the time it was Cleveland, but after the merger I believe now it's New York.

TS: So this is like a branch office in Atlanta? A big branch office?

DH: Yes, very big. Very big and fast-growing with a lot of the big clients in town like Coca-Cola.

TS: Were you thinking at that time you weren't going to be an academic; you wanted to get into the field?

DH: I definitely wanted to get experience. It was a real trade-off. I really enjoyed the work, but the lifestyle—particularly from January to the end of March—was pretty rough. I kept going back and forth, and I think even after the first year at the firm, I looked at a couple of Ph.D. programs. I made one trip to explore a place.

TS: January through March was rough because you were doing everybody's taxes?

DH: No, doing everybody's audits.

TS: Oh, at the end of the year, everybody does an audit.

DH: Yes, I was on the audit side. So for December 31 year-end clients, the work really gears up instantly. I spent a lot of time out at Coca-Cola. I didn't have a lot of travel, but I had a lot of overtime. I loved the work, but I really felt long term, after seeing the lifestyle that my dad had with the flexibility and intellectual freedom, that was something I wanted ultimately.

TS: Right. Your father, I guess, is one of your mentors.

DH: That's right.

TS: Could you talk a little bit about mentors, if there were any on the undergraduate level—and about your father as well.

DH: Definitely, my father has been a tremendous mentor. He really gave us a sense of what the academic life was like. He also gave us a very good sense of what accounting was all about. He had a very successful introductory accounting textbook for years. During the summers, sometimes we would be involved in proofreading, changing numbers, changing names and problems—things like that. So we really got a good sense of both the accounting discipline as well as what it meant to be an academic. I was just really interested in the academic freedom, you know, where you've got the ability to pursue what you're interested in. That was very, very appealing. From both of my parents, I learned the importance of focusing on the family–ahead of the career–and this lesson has stayed with me. I had a great upbringing and am trying to give the same to my kids.

TS: But you didn't want to go to Georgia State for an undergraduate degree, I guess?

DH: No. Particularly majoring in accounting, I wanted to go somewhere else.

TS: At the University of Georgia, were there any professors that particularly stand out?

DH: There's one who really stands out, and, ironically, he was not an accounting professor. I had many great accounting professors there, but the one person who really stood out is a math professor, John [G.] Hollingsworth. He's probably retired by now. I had sent him a letter years ago, after I got here. He taught an honors calculus course that I took my freshman year. In that course, we had a kind of eclectic mix of people, including a twelve-year-old kid named Ralph; and about a week and a half into this course, I felt like I was in way over my head. Like there was no chance in the world that I was going to get through this thing. I was spending hours and hours trying to solve problems, and I just felt like I was beating my head against the wall. I went and met with [Hollingsworth], and he encouraged me to stay in the course. He was confident that I would get through it. That course probably taught me more about patience and problem-solving than any course I ever had. It was just a tremendous experience. It was a full-year sequence. I haven't directly used a lot of the material from that course in my career, but that patience—being presented with something, feeling like you don't even know where to begin, and then gradually getting to the point where you've solved it—was tremendously valuable.

DY: It's to your credit you stayed in.

TS: Well, as an undergraduate, did you do any kind of research or specialized work? Is this kind of a general accounting degree you got on the undergraduate level?

DH: Yes, more of a general accounting degree. I knew I wanted to go into public accounting with a firm when I finished. I was kind of torn between doing audit work or tax work; I ultimately decided to do audit work. I interned with Ernst & Whinney during my senior year. I went to work with them full time after graduation. They had a great group of people there; a lot of the students had the same ambitions. I took a lot of classes with the same people, so [there were] just a lot of friendships there where you still run into people once in a while. I remember those days.

TS: Tell me again? Was Heather there as an undergraduate?

DH: No, Heather went to Illinois [as an] undergrad. She was in the marching band with the football team and came to the Peach Bowl, I think in '85. She decided that when she graduated, if she was going to move away from Chicago, she'd come somewhere warm. So she ended up moving here in '87.

TS: Okay, so she's at Ernst & Whinney when you get there.

DH: Well, she came the year after me.

TS: But you met there.

DH: That's right.

TS: Okay, so you're there two or three years?

DH: I was there three years. Three years plus an internship.

TS: And that's when you decide you're going to graduate school.

DH: That's right.

TS: Now you got an MBA, didn't you?

DH: No, I took some classes at Georgia State for a year but didn't get a degree from that.

TS: So you go straight to Madison from your firm here in Atlanta?

DH: Yes, from the firm after the year of classes at Georgia State. I was thinking about whether I could get a MAcc—master's of accounting—in that period. Then ultimately, I concluded I would just go ahead and go up to [the University of] Wisconsin [Madison]. So we moved up there in June of 1990.

TS: Why did you pick Wisconsin?

DH: We were looking for a relatively big Ph.D. program, since there were two of us going in. Wisconsin's program was a large, fairly diverse program that supported a lot of different areas of research. We went up there and visited, and, as I recall, I don't think we made trips to visit anywhere else. It was just a nice place with helpful faculty.

DY: Good fit for both of you.

DH: That's right. It gave us the flexibility we needed because heading in, we had no idea what research area we were going to focus on or anything like that. It worked out very well.

TS: Well, tell us a little bit about your years up in Wisconsin. What you did your dissertation on, for instance, and the specialties you developed and your mentors up there.

DH: Okay. In terms of mentors, really two that stand out: John Wild, who is an accounting professor who actually taught two of our doctoral seminars—one on financial accounting research and then the seminar where you develop your dissertation proposal. I think there were eight or nine students in that course; it was huge for a dissertation seminar. He just had a real gift for presenting and synthesizing ideas, giving you feedback. He taught us a lot, not only about the research process, but also the writing and communication process. And then the other mentor from there is Larry Rittenberg. He was my dissertation chair and Heather's dissertation chair. He chaired both of our dissertations at the same time, and we finished within a couple of months of each other.

TS: He must have been very confident that you were going to make it to take you both on.

DH: Yes! [laughter] He was just a great sounding board and was wonderful through the whole process. We've kept in close contact with him over the years. In terms of life in Madison, being a Southerner, the snow was exciting to me from mid-October until about Christmas. Then from January 1 until late April, it was not exciting. I remember watching the Masters [Golf Tournament] on TV and then looking out my window and seeing six or eight inches of snow on the ground. So when it came time to look for a job, we literally drew a line across the country and said, "We have got to be below this line."

TS: That's what they say about everybody up North—that last month or so is what really gets them.

DH: Oh, yes. It's not the severity of any individual day, it's just the length. You get to March, and you get a day that's 55 or 60 [degrees] and sunny, and you think, "That's it!"

TS: And the baseball players are going through spring training down in Florida, and you know it's time to live somewhere else.

DH: Yes. But that first spring there, I must have said to Heather ten times, “That has to be the last snow storm, right?” No. It was late April.

TS: Wow. So that would be right about now that it would be beginning to clear up. [chuckle] Tell us a little bit about your dissertation.

DH: My dissertation looked at the issue of the extent to which the auditor, when doing a financial statement audit, provides warning to people outside the company that a company may be in financial distress and may not make it.

TS: Their company?

DH: Well, the company that you’re auditing.

TS: The one that you’re auditing may be in financial distress?

DH: So you’re out there, you’re testing the financial statements. Essentially, the idea is, the company is rolling along; management is running this company; shareholders and creditors are interested in how well the company is doing. So it’s management, then, that prepares the financial statements to tell you how well the company is doing. Well, you have a built-in bias here. It’s like a self-graded exam where you need somebody else, the auditor, to come in and test the financial statements before they’re released and anybody relies on them. There’s an incentive [for management] to lie, and there’s also the potential for errors in the financials. The other thing that the auditor does, though—because the auditor is in there and has access to all this private information—is the auditor assesses whether the company is going to make it for another year. So my research was looking at when you have an instance of bankruptcy, and you look back to the last audit opinion that was issued before the bankruptcy, was that a clean opinion, or was it an opinion that pointed out that there could be some significant issues?

TS: So you’re critiquing the auditors then?

DH: That’s right; exactly. And what I looked at, essentially, was factors that influence the auditor’s decision in that setting.

DY: What are some of those?

TS: Like keeping the company happy?

DH: Right. So, yes, the size of the client is one of the factors. What you find is, the larger the client—all else equal—the less likely they are to get a going-concern opinion, which is one that signals that there may be financial troubles ahead.

DY: Bite the hand that feeds you!

TS: Even though the fall is going to be the greater if the large company goes.

DH: Right; exactly. So I looked at client size issues . . .

TS: Is this like [the case of] the auditor [who] says, "Well, Coca-Cola couldn't possibly be in trouble; they've been here forever."

DH: Yes, that's another part of the argument. The big company is less likely to fail. So in the research, you have to control for that probability of bankruptcy. You try to control that away. So even after considering the relationship between client size and how likely they are to fail, you still find that the bigger the company, the less likely they're going to get this kind of opinion [going concern]. So I looked at a number of different factors.

TS: I know from having been on the board of little organizations like the Marietta Welcome Center, we always wondered . . . We were board members, but we weren't the ones that prepared the financial data for the auditor; it was the staff. So I guess there was a real question: If you're a board member, how much do you really trust the staff to provide accurate information to the auditor? And if the staff doesn't provide accurate information—I mean, you're suggesting the auditor can figure it out.

DH: Well, I think the expectations on auditors have gone up a lot as a result of Enron [Corporation] and WorldCom and kind of looking at the different parties here. The auditor has a big role in this, but the board of directors also has a big responsibility. Specifically, the audit committee of the board of directors is the one that oversees what the auditors are doing and oversees what the internal auditors are doing and oversees that whole process.

TS: So in your dissertation, it sounds like you're pushing for aggressive tactics on the part of the auditor to get to the truth and then speak truth to the corporation.

DH: Definitely. And trying to understand what these factors are that influence that decision. I even tried to look at the way the partners in the audit firm are compensated; does that play a role? Does the complexity of the client play a role? If things are very complicated, it's more difficult to assess whether the company is in financial trouble or not.

DY: It sounds very multi-disciplinary.

DH: Yes.

DY: You obviously have to use psychology; you've got theory in there, and it's very highly analytical. And, of course, you have to be able to write well to communicate.

DH: That's right.

TS: Was this a problem that auditors were well aware of before all the Enron stuff came along and the public became aware of it?

DH: Yes, definitely. There was certainly a lot of litigation against audit firms in the ’70s and ’80s and the end of the early ’90s where you’d have companies that declared bankruptcy.

TS: And they said that you didn’t tell us.

DH: Yes. You look back, and one of my co-authors [Joseph V. Carcello] did a study with another professor [Zoe-Vonna Palmrose] where their conclusion, I believe, was that you had to issue at least two going-concern opinions in a row in order to really shield yourself from litigation effectively. When you have a situation like that where the company goes bankrupt, the executives have been wiped out because they have got a lot of their personal net worth [that] has just gone away. You start looking around for who may be responsible and who has deep pockets. Well, the auditors may be responsible partly, and they’ve certainly got deeper pockets than anybody else because the parties directly involved with the company generally have been wiped out by the bankruptcy itself. So this litigation risk that the audit firms have faced for years is . . .

DY: Sort of like medical malpractice.

DH: That’s right. The firms say their second biggest cost is insurance. Salaries are number one.

TS: Let me just ask a question out of total ignorance. A field like history really professionalized in the late nineteenth century when American institutions started granting Ph.D.s; the American Historical Association goes back to the 1880s and so on. If you’re doing anything except very recent history, you’ve got a long historiographical record of “this school of historians said this in the late nineteenth century, but the progressive historians said this” . . . but [then there are] the neo-conservatives, and then the new left, and so on. How old a discipline as an academic discipline is accounting?

DH: Good question. Before 1968, it was largely a discipline that was driven by normative writing: This is the way things should be; this is the way we should set up the accounting model—really built on logical arguments, largely. In 1968 there were two influential papers published, one by Bill Beaver and one by Ball and Brown. Those were, to my knowledge, the first major empirical data-driven studies looking at the relationship between stock prices and the release of accounting information. The conclusions weren’t surprising. When the accounting news is good, the stock price goes up; and when the accounting news is bad, the stock price goes down. But that was really the beginning of, not normative work in accounting, but positive work in accounting. And that is, figuring out how things really are before we start talking about how things should be. So that was kind of the beginning of almost the scientific revolution in accounting.

TS: So you’re in a brand new field then.

DH: Yes, compared to many disciplines.

DY: And these were academic papers and academic publications we're talking about.

DH: That's right. One in the *Journal of Accounting Research* and one in *The Accounting Review*. So, yes, you look at the empirical literature, and it's less than a forty-year history in terms of the types of things we see today.

TS: So when you're doing your dissertation then, there's not a whole lot of literature to draw on, I guess.

DH: I would guess that I probably had, in terms of the going-concern opinion literature, probably twenty, twenty-five papers. Not like some fields where there would be three or four hundred papers.

TS: So this is cutting-edge stuff that you're doing.

DH: Right. It's kind of a unique discipline, too, in that you've got this interface with the profession, so if things change in terms of regulation—take Sarbanes-Oxley right now—there are a ton of new studies coming out now on what the impact of Sarbanes-Oxley has been on how managers behave, how auditors audit, and what internal auditors are doing. So you've constantly got a lot of motivation for research coming from current developments.

TS: Just for the record, and for anybody listening to this tape a hundred years from now, Sarbanes-Oxley is a piece of legislation from what, five or ten years ago?

DH: From the summer of 2002 [The Sarbanes-Oxley Act of 2002, federal law].

TS: That recent. And basically what does it say?

DH: It says a whole lot of things. It basically promotes independence on the part of the board of directors. It prohibits the auditor from doing a lot of consulting-type work for other clients in order to . . .

TS: This is a response to Enron.

DH: In response to Enron and WorldCom, yes. The legislation was pretty well dead in the water until WorldCom announced their big fraud. Then Enron was no longer the one-in-a-million, it-will-never-happen-again kind of scenario. So, yes, [it covers] lots of restrictions on what auditors can do, stiff criminal penalties for accounting fraud, personal certification of the financial statements by the chief executive officer and chief financial officer, audits of internal controls—not just audits of financial statements. So it's certainly the biggest thing in terms of financial legislation since 1933 and 1934, when the [U.S.] Securities and Exchange Commission [SEC] was created. But directly in response to Enron and WorldCom.

TS: I guess the stereotypical view of accountants as mild-mannered men sitting in a room somewhere . . . after Enron and all of that, I guess people have a very different perspective.

DH: It's been fascinating to see the impact of the scandals. One school of thought is that when you have a profession that gets dragged through the mud on the front page of every periodical—not the business section but the front page of the entire periodical for a year and a half—that it will be terrible for the profession.

DY: But that's not the case.

DH: Not the case at all.

DY: You're crucial.

DH: Yes, enrollments are way up. Appreciation for what the profession does has never been more visible.

TS: Oh, really? That's great. But we used to think that Arthur Andersen was such a wonderful, prestigious company.

DH: That was absolutely *the* firm at one time.

TS: But when [former President and Georgia Governor] Jimmy Carter did his reorganization of government in Georgia, I think Arthur Andersen was the consultant on all of that. That was supposed to be so prestigious that Carter had brought in Arthur Andersen.

DH: Certainly the fall of Andersen was something I don't think most people had any idea could ever happen.

TS: So some big corporations hit the dirt, but public respect for accountants went up at the same time.

DH: Well, there was certainly a tarnishing of the image of accountants for a period, but there was also an [increased] awareness. I think before all this, if you said "CPA," people thought tax returns. Now, you say "CPA," and people recognize that there's also this audit function out there, and [they think], "I'm investing my retirement savings in the market, so I care about this audit function." That's something that was not nearly as widespread before.

TS: Have we seen an increase in the number of students since then?

DH: Oh, yes. There was an article in *The Wall Street Journal* a few months ago that talked about the increase in enrollment at a variety of big programs, and it was 50 percent here, 100 percent there. The MAcc program here at Kennesaw has gone from, I think, thirty-five students to a hundred students in the last four or five years. So, yes, there's been a boom, partly in response to the scandals and resulting increase in accounting work, and partly in response to some changing market conditions with information systems . . . not as many opportunities there as there were before.

TS: What year was it that you got your doctorate?

DH: In 1993.

TS: So not that long ago.

DH: No.

TS: So then you started testing the job market. Did you do some teaching while you were at Madison?

DH: Yes. I taught for a year while I was in the program up there.

TS: Taught the introductory accounting?

DH: Yes. I thoroughly enjoyed it.

TS: Okay, so you start testing the waters. Why did you decide to come to Kennesaw State?

DH: We had a difficult and perplexing search in that we were coming out of Wisconsin, definitely wanting to get to the South. It's 1993; state budgets are just a disaster everywhere, and we're not just looking for one job, we're looking for two jobs. We're both accountants, and we're both audit people. So we start looking around and hear, "We might be interested in one of you, but we can't take both of you." We started trying to plot out if there were two schools in the same city where we could each go to one. Those kinds of things weren't coming together. We just kept sending out materials and sending out materials. Quite honestly, Kennesaw was not a place—as we started the search—that was even on the radar screen. I had grown up here and gone to Georgia, but in 1982 to 1986 Kennesaw was still rapidly emerging.

TS: And you're thinking big research schools?

DH: Yes. Not University of Michigan-big, but certainly the folks at Wisconsin weren't thinking of a Kennesaw at that point. So we keep going through this search, and as I recall, my dad heard from somebody that Kennesaw might have an opening or two. We ended up interviewing at Kennesaw and the University of Tennessee as our only two interviews. We came to Kennesaw, really not knowing what to expect. It was a different choice than we had anticipated. It was certainly different for the department to be hiring two brand new Ph.D.s, which they had not done before.

TS: That's right.

DY: Who was in the accounting department at that time?

DH: Ralph [W.] Frey was the chair, and Paula [H.] Morris, Steve [Steven W.] Smalt . . . actually, a lot of the people who are still there.

TS: Was Charlie [Charles S.] Garrett there?

DH: No, he was not there then. So we came in not really knowing what to expect. I don't know if the other faculty really knew what to expect of us, and we didn't really know how it was going to work out. But one of the things that I think is kind of magical about the [Michael J.] Coles College [of Business] is the faculty track system.

TS: Explain that.

DH: These aren't the official labels, but basically there's the research track, kind of a mixed track, and a teaching track. So the scholarship expectations vary depending on which track you're on.

TS: And those tracks were in place in '93?

DH: Right. I think Tim [Timothy S.] Mescon put that in place as soon as he came in 1990. So you've got different expectations on different tracks but also different teaching loads on different tracks. So we were able to come into Kennesaw, which was not at that point nearly as focused on . . .

TS: It wasn't a research institution.

DH: Not a research institution, but we had a teaching load and a level of support that was consistent with what people had at a lot of other schools. So we quickly realized, "Hey, this is working out well. We've got the flexibility to do the things we need to do and . . ."

TS: I didn't realize that Tim had put that in so early.

DH: Yes, and [there was] just a very collegial, wonderful environment in the department. It's a very diverse group. But I think the track system is just so helpful in kind of letting people identify who they are, and then things sort themselves out very easily.

TS: Did you know Tim or Craig [E.] Aronoff or any of those from Georgia State from your father being there?

DY: Tim's father was at Georgia State.

DH: Well, Tim's father [Mike Mescon] was dean at Georgia State when my dad was an accounting professor there, so Tim and I are kind of replicating the relationship that our dads had at Georgia State. It's kind of an interesting parallel.

TS: And Craig was at Georgia State before he came here.

DH: That's right.

TS: I didn't know whether you knew any of them.

DH: I didn't know Craig. I'm sure my dad knew Craig, and my dad had worked with Tim's dad, Mike.

TS: Did you know anybody on our faculty before you came here?

DH: Ralph Frey, I had not met before, but he was actually a student of my dad's at the University of Maryland years before. So there was a connection there.

TS: Didn't Tim have a Maryland connection somehow?

DH: Yes, he was at Salisbury State [University].

TS: Right.

DH: Yes, the academic world is small enough that there are all these connections.

TS: So you say you were both interviewed at Tennessee and then here.

DH: That's right. And I really never expected to get back to Atlanta. Hearing from school after school: "We had two jobs, but the budget got pulled" or "We had three jobs, and the budget got pulled" or "What are you, crazy?! We don't have any jobs." It just worked out beautifully.

DY: Whom did you interview with when you came here? Ralph was the chair.

DH: Yes, Ralph was the chair; Tim was the dean. Deborah [S.] Wallace—we talked to her because I think Ed [Edwin A.] Rugg [the Vice President for Academic Affairs] was tied up with something else.

TS: What was Deborah's position at that time?

DY: She was Associate Vice President for Academic Affairs and Dean of Graduate Studies.

DH: We met with various faculty.

TS: So '93 . . . I guess you hadn't had that new building very long, I don't believe, at that point.

DH: No. Only a year or two, I think [1991].

TS: So you're moving into a new building in a growing program and a growing institution, which was still called a college at that time.

DH: That's right. It was just great timing. It's been exciting to see the growth over the years.

TS: So because of the tracking, you've been able to keep a relatively small number of classes over the years.

DH: Right.

TS: What's typical? Like two classes?

DH: The typical for the research track is a two-two load, and the mixed track is a three-three. Then the teaching track is a four-four.

TS: And you're saying the two-two is equivalent to what you would be doing if you were at, say, the University of Tennessee?

DH: Yes. I think that's their schedule, too. So it's a very competitive package for people. Time is a great constraint when you're trying to do a lot of research.

TS: Absolutely. So because you took that track, they're encouraging you toward scholarship from the beginning, which is not necessarily true across campus, I don't think, at that time.

DY: In fact, I would say it's peculiar to that college because I don't think it happens in the sciences.

TS: I haven't heard any other discipline saying that.

DH: Our accreditation model is very much geared toward a higher scholarship expectation if you're in graduate education. So it's really consistent with the marketplace, and it's consistent with the accreditation focus in business.

TS: Yes. Well, you were talking about [how] you weren't thinking about coming to a place that wasn't Research I or whatever.

DH: Well, I guess having said that, I also didn't want to go to a place that was pure research. I definitely wanted to come to a place that valued teaching, and so I was looking for kind of a balanced environment. But Kennesaw was just not a place that had occurred to me when we started the search.

TS: I guess the question I really wanted to ask is once you got here, did you find a different kind of intellectual climate than you would have thought by reputation we were at that time?

DH: I guess a couple of things jumped out at me immediately. First, on a teaching dimension . . . In Wisconsin, teaching the undergraduates, you had a roomful of very bright people, [but with] zero experience, by and large. So there were a lot of things you couldn't really talk about and make tangible or concrete for the class.

DY: They had no reference point.

DH: Yes; no reference point. And I remember really being struck the first couple of years here that you'd walk into a class, and day class or night class 90 percent of the people in the room had significant business experience.

DY: Yes. That was our peak of nontraditionals, was it not?

TS: Probably so.

DH: There was just so much you could do, particularly in Accounting Principles, here that you couldn't do at a traditional university. It just made the teaching really enjoyable. People would come up after class [and say], "I'm running this business; I've got this question" or "I'm working for so-and-so, and I've got this question." There was a lot of real world impact that the students were experiencing because they were already in a business setting, either their own business or somebody else's.

DY: So your classroom became a kind of laboratory.

DH: Oh, yes. And then at the graduate level—I hadn't taught any graduate level before that—but there you've got night classes, everybody's working, or almost everybody's working. So you bring up an issue, and it's, "Yesterday at my company that was the issue, and here's what happened." So, just a tremendous exchange of ideas really struck us early on.

TS: So the SAT scores may not be as high, but the practical experience more than makes up for it.

DH: Oh, yes. It just really changes the ability to do things in the classroom.

TS: I'm sure you found that a lot more fun.

DH: Yes.

TS: And we've had that experience, too, across the board on this campus with the nontraditional students that can bring life experiences into the classroom. Somehow or other, they seem to intuitively know what you're talking about in a way an eighteen-year-old doesn't yet.

DH: Yes, that's right.

DY: I have a question here that may veer off a bit, but it's influenced by the fact that I've been reading our most recent oral histories. How do you think it affected your scholarship? Do you think that your scholarship incorporated or leaned in any way toward the scholarship of teaching, or has your research and your scholarship been focused very much in the same manner as your dissertation was?

DH: I guess my philosophy of scholarship—even at the dissertation stage—was you've got to do things that are relevant. I've always defined relevant as I could describe this project to somebody in practice, and they wouldn't think I was crazy; they would see some value to it.

DY: So you had that built in.

DH: Oh, yes. So I really enjoyed the focus here that you've got flexibility. It's not a model where these five journals count, and they only publish the ultra-hardcore pure academic . . .

DY: Theoretical.

DH: Theory-driven—theory development or theory testing that happens to be in an accounting setting kind of papers. So the scholarship focus here was very consistent.

TS: The applied scholarship.

DH: Yes, yes. And that's really where I've been my whole career is very much applied. And then, also doing a fair amount of research on teaching methods, curriculum issues, faculty issues, and things like that—so kind of a mix of those areas. I've never felt at all that I was at any disadvantage being here, not in terms of getting on editorial boards, getting papers published, interfacing with national organizations, or anything like that. [It's] just a very supportive environment and an environment that's absolutely consistent with what I believed coming in the door.

TS: So you seem to be saying that our business programs have a national reputation, that we are known.

DH: Oh, yes.

TS: Across the country, or at least in the relevant places across the country.

DH: That's right.

TS: You said a little bit earlier that you wanted to be in public accounting? Is that what you're talking about—that public accounting is really where you're working with firms and doing practical things, relevant things, as opposed to just totally abstract research?

DH: Well, public accounting in the sense that the public accounting firms are the ones that do the audits . . .

TS: On the stock exchange?

DH: Right.

TS: Okay, that public.

DH: Yes. Usually the distinction you hear is [that in] public accounting, you're a CPA working for an accounting firm, whereas in private accounting, you're a CPA or non-CPA working inside a company. So if I'm auditing Coca-Cola, and I'm working for Ernst & Whinney, I'm a public accountant. But if I go to work for Coke, I've gone into private accounting.

TS: Oh, okay; I've got you. So you wanted the independence that comes from being not on the Coca-Cola payroll.

DH: Well, I really wanted the experience and the learning. I think no matter what kind of accounting curriculum you put together—you've got, say, three years that is accounting focused—students are going to learn more in the first two years of going out and auditing companies than you could ever teach them, no matter what you did in those three years. It's just a tremendous learning experience.

DY: I think you've begun to answer this question, but since it's in our repertoire, I'll go ahead and ask you why have you remained at Kennesaw? What's kept you here?

DH: I guess [there are] a few answers to that. One is the wonderful group of people in the accounting department. You hear of so many places where in the accounting department, there are politics, and people don't talk to each other.

DY: Oh, I thought that was only English departments!

DH: But we just have a faculty here that's very diverse, but gets along tremendously well. Just a genuinely nice group of people. So that spills over then into a wonderful working environment. And then you think of the track system and the flexibility you have for pursuing different research; the flexibility you have in terms of hours and working at home versus working on campus. It's just been a wonderful environment, and that's been the biggest driver for me. We love the environment; we love the community. Opportunities have presented themselves from time to time, and we've always concluded that we like it here. It's tough to beat.

DY: Do you live near Kennesaw?

DH: Yes, within five or six miles.

DY: So you have no great horrible Atlanta commute.

DH: Oh, no. Ten to fifteen minutes, unless I get caught near one of the schools on the way over. But we know what times to avoid.

TS: Well, you've won a service award as well as a scholarship award, as far as campus-wide awards. When you came, you were interested, obviously, in teaching and scholarship. How did the service work into the equation with your track system and your particular situation when you came to Kennesaw? Were you under pressure to be involved in service? Is it something you naturally like to do? Is it something that's so closely related to your scholarship that you didn't see a distinction? How would you describe it?

DH: Yes, it's more that there was tremendous overlap between the service, the scholarship, and, frankly, the teaching. Really, all three were integrated. Starting the Corporate Governance Center was a voluntary effort of four faculty: my wife Heather and I in accounting, and Paul [D.] Lapides and Gary [B.] Roberts in management, as well as Bobby Vick, a local CPA. Many others have joined over the years, but it was not anything that was imposed. It was that we saw—particularly, Paul saw—this change in the expectations on boards that was taking place. And I had some interest, and everybody kind of discovered each other. One of the things that I articulated very early on in the process—this was, I guess, 1995 when we started the center—two years into my career, massive service is the last thing that I need to be doing right now. So my rule was I just can't let this mess up the other dimensions of my professional life. What I found is that it didn't mess them up; it enhanced them greatly. Relationships formed by [my] getting involved in the governance community and the accounting community, particularly with professional organizations, accounting firms, and all sorts of different groups—it just created incredible opportunities through the years.

DY: I wonder if you could give us a quick definition of the Corporate Governance Center?

DH: Okay. The Corporate Governance Center is really designed to be an information provider on corporate governance issues by doing research, interacting with the media, and responding to calls as people have questions. The governance center has branched out to the University of Tennessee. The University of Tennessee center is probably more research-focused than the center here.

TS: Our center is older than Tennessee?

DH: Yes, Tennessee's was started in 2003 with the interdisciplinary [cooperation of] the law school and the business school. Within the business school, just about every department has some folks involved. It's one of those great topics where you look at the board of directors of a company, [and] every discipline has some issue that touches the board. So the finance people are involved, the accounting people are involved, the management people are involved, and in some cases the marketing people are involved. It's an area of study that's very rich and very open to different disciplines.

TS: Were we one of the first corporate governance centers?

DH: I believe we were *the* first governance center. There were a number of schools that were doing some corporate governance education, but my understanding is that this was the first center in the area.

TS: Was there anything in particular that led to this sense that there was a need for a corporate governance center—like any huge scandal out there or collapse of the S&Ls or anything of that sort?

DH: I think the S&Ls were a piece of it. I think General Motors back in '92, the General Motors board really stepped forward and asserted itself. Some other companies started doing the same thing. We were seeing CEOs getting tossed out the door for lack of performance, and there was this beginning of the discussion of the corporate governance revolution. Shares were now more concentrated in institutional investors, and the institutional investors can get the ear of the company much quicker than you or I can individually. So you've got shareholders that are now institutions putting pressure on boards for better performance on the part of the CEO, and you're seeing CEOs go out the door. And, yes, we just really saw it as an area that was ripe for study given what was happening in the marketplace.

DY: Is it kind of democratizing of companies?

DH: Oh, definitely. In fact, the cover of *Business Week* this week talks about—I think the title is "The Downsized CEO." The board, the lawyers, and the auditors have all gotten a lot of power as a result of Sarbanes-Oxley and the changes in the marketplace in the last three or four years. And the party that has lost power is the CEO. The notion that "I'm the CEO; everything I say goes; nobody else has any power," is over.

DY: Another hierarchy overturned.

DH: That's right.

TS: I saw that you wrote an editorial on "Corporate America, Jack Welch, and Greed."

DH: Yes, I was quoted in the editorial. [laughter]

TS: I saw him being interviewed with his new wife [Suzy Welch] on some show recently. He sounded like kind of an interesting guy.

DH: Oh, yes, a very interesting guy. He's got a new book out now [*Winning*].

TS: Yes, I guess that was after his book. I gather that you're associating him with greed.

DH: [laughter] There were some disclosures in his divorce case about some of the benefits that he was going to have for years and years after leaving GE [General Electric Company] that caught a lot of attention.

TS: Yes, that was it. He was explaining—well, he wasn't apologetic for what he was getting—in that interview.

DH: I was quoted in an article in that.

TS: Oh, is that where you were quoted? I thought you had written that. Let's see. Oh, yes, that's on the editorial page of the *Buffalo News*. That was [in] their editorial, but they quoted something that you had said?

DH: Right. It was more of a story that appeared on the editorial page.

TS: I'm not asking my question very well, but you all did a report on twenty-first century governance and financial reporting principles in 2002, which would have been right at the time all those scandals were front-page news with Enron and so on. The principles were endorsed by the Institute of Internal Auditors and presented to the New York Stock Exchange and on to the White House and the U.S. Congress, which is about as prestigious as you can get. Tell us, first of all, who is the Institute of Internal Auditors?

DH: That's the professional association for internal auditors, and internal auditors are company employees who test internal controls and assess risks in the company. They're a different group than the external auditors who come in and test the financial statements.

DY: Is this analogous to your private-public?

DH: Yes, same kind of difference.

TS: So you all got a report out that seemed like it caught on immediately.

DH: I guess it was probably early March of 2002. Enron was coming apart; Andersen was getting a lot of heat. WorldCom hadn't happened yet, but there was a lot of discussion about what good corporate governance was. There were hearings on Capitol Hill where people were testifying on what's good governance, what's bad governance. I guess two of us [Lapides and Hermanson], along with co-authors of ours at four other schools [Mark S. Beasley, Joseph V. Carcello, F. Todd DeZoort, and Terry L. Neal], thought, "Well, we've been studying these issues for a number of years. Maybe it's time that we issue a statement on what we think is good governance and good financial reporting." So we took about a couple of weeks start to finish, where we came up with ten recommendations on governance and seven recommendations on financial reporting. You use the term *report*; it's really three pages. There's kind of an introductory page, a page on governance, and a page on financial reporting.

Interestingly, we debated a lot over the financial reporting recommendations. Lots of back and forth, and "I can't live with this" and "This has got to be here." You've got six different people involved trying to come to a consensus. The governance ones went very smoothly. Well, then we released this through a press release [Terri Thornton], put it on the Web site, and e-mailed it to all the reporters that we had interacted with over the previous couple of years. There was some decent media coverage. I think the Associated Press picked it up, and it was hitting some newspapers and things like that. We were reasonably pleased that we had spoken and some people had listened, and we figured that might be it. It turned out that the Institute of Internal Auditors was right at the point of preparing their presentation to the New York Stock Exchange—which I think was April 6 or April 8, and we released on March 26. Well, they saw our governance principles and liked them, [so they] included the governance principles in their presentation to the New York Stock Exchange and in their material that went to Congress. They, just out of the blue, became our unexpected marketing arm for these things.

DY: Timing is everything.

DH: Yes. And the governance principles got a lot of attention from various groups. The financial reporting principles that we fought over [received] almost no attention at all! [laughter] We could have done the governance principles in half a day, but you never know how these things are going to turn out. It was really an opportunity to lay out ten things that we believe about governance: The board ought to be independent, you ought to have internal audit, and on down the line. It's been interesting to see that we certainly weren't the only ones saying these things. It was kind of a groundswell that there are certain elements of good governance that should be in place, and the majority of those things have happened from 2002 to the present. Sarbanes-Oxley addressed a lot of them, and the stock exchanges have addressed different pieces. So I think it's the combination of academics saying things and people in practice saying things and regulators saying things. It eventually gets to be accepted practice.

TS: Have you had any calls from the White House?

DH: No. [laughter] I don't think I'm on George Bush's speed dial.

TS: Haven't been invited to come up there and audit the government?

DH: No. [laughter]

DY: That's scary.

TS: You'd probably never finish that. Well, you did that report, and from what you said, that was kind of one of the minor things that you've really done with this center, in terms of time it took to do it. But it seems to me all of these things have to get you out in the community where you're interacting constantly with corporations and accounting firms. Could you say a little bit about that kind of public role? You're doing some things to create visibility for Kennesaw State whenever you get out there, but could you talk a little bit about working with businesses and that kind of thing?

DH: Sure. I guess I'll pick an example that kind of touches on a lot of those areas. Turn back the clock to 1987: There was a report that came out—it's now referred to as the Treadway Commission report—that talked about the problem of accounting fraud in the U.S. This is going back almost twenty years. The Treadway Commission, which was really a consortium of five accounting organizations, came out with about fifty recommendations for companies, auditors, regulators—even educators—on how we could clamp down on this accounting fraud problem. This was well before Enron and WorldCom. Then 1997 comes along, and this group is still doing things together; they had come out with a few reports in the intermediate period. So 1997 rolls around, and they realize that ten years have gone by since they made all these recommendations. And they yet don't really have a good sense of what's happened to the fraud problem from 1987 to 1997. So they were looking for some researchers to study fraud over that eleven-year period and come up with a report, first of all giving the facts and figures, but secondly, making another set of recommendations of what still needs to be done. So this whole process is going on. They're looking for parties to do this, and the guy who was head of—COSO is the group; Treadway kind of became COSO. . .

DY: What is COSO?

DH: It's the worst name in the world. It's the Committee of Sponsoring Organizations of the Treadway Commission. So it's these five accounting entities. The guy who's chairman of COSO [John Flaherty] was also serving on the advisory board of [KSU's] Corporate Governance Center, so we had a relationship. I had met him at a conference and had invited him to serve, and he wanted to make sure that we were aware of their research requests in this area. As it all turned out, we ended up being engaged to do this project [with Mark S. Beasley and Joseph V. Carcello]. It was about an eighteen-month process of reading SEC enforcement releases where the Securities and Exchange Commission had sanctioned companies for committing accounting fraud, analyzing [the releases], gathering a lot of other information about the companies, the boards, what happened to the companies, who went to jail, all those sorts of things. So in March of 1999, we came out with our report, which profiled a random sample of two hundred fraud cases from the preceding eleven years, and we then came up with another set of recommendations (implications) for mitigating this fraud problem. We started the project, I think, in late '97, so it went from late '97 to early '99.

During the time we're doing this project, all of a sudden the SEC decides to form a group to, in a sense, look at audit committees and how audit committees might do a better job of overseeing financial reporting. So you've got our effort going on the research side, and you've got this Blue Ribbon Committee that's doing things—coming up with recommendations on how to improve audit committees. Then you have a third group, a group sponsored by the National Association of

Corporate Directors. Paul Lapides, Bobby Vick, and I were both on that commission along with a few other academics [Larry Rittenberg]. I think it was a group of about thirty-five people trying to come up with, not really recommendations, but more [like] best practices for audit committees.

So you've got all three of these efforts going, basically, at the same time, and I'm involved in two of them. The interplay among those was fascinating. The Blue Ribbon Committee came out with their report first, so they've got ten recommendations for improving audit committees, partly in order to prevent fraud. One of the things that they had in some of those recommendations was kind of an escape clause for small companies: "We recommend 'X,' but for small public companies you may want to consider exempting them from this." So that comes out in February 1999. Our report comes out in March 1999, and one of [our] basic conclusions was that accounting fraud is largely concentrated in small companies. So there's a mismatch between the recommendations and our results. Well, our report also generated a debate about whether fraud is really concentrated in small companies or whether the SEC is simply able to nail small companies. So that's a whole other story. [laughter]

TS: What do you think?

DH: I think it's some of both. I think you certainly have weaker controls in small companies . . .

DY: Vulnerability is an issue, surely.

DH: Yes, but I think I've also come to appreciate over the years the realities of the SEC and their limited resources [in] going after a big company with teams of attorneys. That's a very, very costly process, so I think there's definitely some merit to that story as well. What ended up happening, though, after our report came out, was this exemption—this escape clause for the small companies—essentially went away. So we were in a position where this project that we really never had any inkling would affect policy ends up affecting policy in terms of SEC rules and stock exchange listing requirements when it comes to smaller public companies. Again, it was just unbelievable timing.

TS: This is pretty serious stuff when you're doing a report that may affect the SEC's ruling.

DH: It was a remarkable experience. There was interaction with the SEC, a lot of interaction with the media, and lots of stories written about the research, about the impact that it had.

TS: Do you get a lot of calls from the media, the newspapers?

DH: I guess there were two bubbles: In 1999 when the report came out, there were a lot of stories within a very short time that we were either involved in or cited in. And then the other big bubble was 2002 in the wake of Enron and WorldCom. In a typical recent year, maybe once a month there's something where I talk with a reporter and I get quoted or something like that. But in 2002 it was closer to once a week.

TS: Do you usually get quoted correctly?

DH: I have not had any disasters. I've had a couple of cases where I know I said "A," and I know I said "B," but "A" and "B" ended up in the same sentence, and I'm not sure exactly how that happened. But I haven't had anything where I've cringed and thought, "Oh, my gosh. I look like a complete moron." So my experiences with the media have been largely—95 percent—very, very positive.

TS: Business reporters usually know their stuff?

DH: Yes. I've been impressed, particularly with the issues we're talking about—auditing issues and corporate governance issues. It's not ultra-technical—accounting pronouncements or anything like that—but I've been pleased with the level of expertise on the part of the reporters.

DY: It could be the clarity of your expression also.

DH: Oh, yes, of course! [laughter]

TS: I know you're not involved directly with the Corporate Governance Center on campus anymore, but you mentioned the advisory board. Could you say a word or two about that? How did you pick the individuals or companies that would be on the advisory board?

DH: Paul Lapides really led a lot of that process. We laugh sometimes that at the beginning, I didn't really understand this advisory board thing; I didn't know that we needed a lot of advice. But I think Paul's focus was to really try to get the leaders in corporate governance to all be affiliated with [KSU's] center in some way. He was definitely contacting many of the big fish and getting them on board. In terms of my involvement with the advisory board . . . if I met someone at a conference who was a good fit, like the chairman of COSO, I would follow up with an invitation. And you never really knew whether that relationship would amount to much or not amount to much. It was very difficult to predict ahead of time. The other thing we did, in addition to the advisory board, is put together a group of Research Fellows—which really started out as my co-authors at different schools. Then it branched out to other people. So you had a group of advisors [made up of] maybe fifteen or twenty, and then a group of fellows, maybe fifteen or twenty. And even the Tennessee model now has gone to this Research Fellows group.

TS: So you're a Research Fellow at the University of Tennessee's Corporate Governance Center now?

DH: Right.

TS: You kind of said it earlier that they were a spin-off of what we have here?

DH: Joe [Joseph V.] Carcello, who's at Tennessee, and Terry [L.] Neal, who's now back at Tennessee after being at Kentucky for about five years, were both long-term co-authors of mine. Joe had been involved in the center here for a long time. Joe was really in a position at Tennessee where they were looking for a big initiative and really had a focus on governance research, both on the part of people in business and people in law. So Paul and I worked with [Joe] to launch that center, and we're both Research Fellows of that center.

TS: How does that work, to be a Research Fellow at some other institution? Do they pay part of your salary?

DH: Oh, no, there's no financial component to it at all. It's really just an affiliation that indicates that we're all on the same team. But no financial dimension at all.

TS: Do you seek grants for your research through the center?

DH: In Business there's not nearly as much grant money as there is in some other disciplines. I guess trying to think of the grant sources that I've had over the years, there would be COSO for the fraud study, the Institute of Internal Auditors for a study, and then the KPMG Audit Committee Institute for a couple of studies. But there's not the big formal grant-writing process that is so common in some other disciplines.

DY: Well, the government isn't really interested in funding you.

DH: Right.

DY: They're going to be NEH [National Endowment for the Humanities] and NIH [National Institute of Health] and those . . .

DH: Yes. I have not been through that process at all. What tends to happen is that if there's an opportunity for some funding, it would be [by] some individuals within the fellows group who would band together and say, "This is something we're interested in doing; let's see if we can get some funding."

TS: So being a fellow at the University of Tennessee basically means that they can use your name and you can use your affiliation with them, and you're actually doing projects together.

DH: Exactly.

DY: I think that your timing has been so impeccable. I think we should make use of this man's *futuristic bent* here. I'm just real curious to know what you think about where our university is going? Lynn [Lendley C.] Black and Mary Lou Frank just came to my department with the University College, which they're getting going now. Lynn said he had just heard that KSU is now officially in the second-tier institutions with West Georgia, Valdosta, and Georgia Southern. So that's something that we'd been acting and producing in that way but hadn't officially gotten that.

TS: And that's official now?

DY: It's official now.

TS: So we're a regional university?

DY: If that's the term they're using. I'm not sure that they're even using that term anymore.

TS: Okay.

DY: But at any rate, this institution is clearly changing. I mean, if you just look around physically, environmentally, you see it. What do you think these changes bode, and how do you see your role in this evolving institution?

DH: Good question. I guess, first, in terms of where I see us headed: What I'm hearing is potential for us to be the largest university in Georgia within a reasonably short period of time.

TS: Fifteen years, maybe.

DH: Fifteen years. Tremendous growth in graduate programs. From a faculty perspective, increased emphasis on scholarship, but I believe not at the cost—at least I hope not at the cost—of teaching.

DY: I hope so, too. Or of human bodies.

DH: That's right. [laughter] The dorms have almost instantaneously changed the feel of the campus, almost instantaneously changed the make-up of any daytime class that you teach. The emergence of the sports programs, that same kind of thing. It's interesting to hear the discussion that we're now officially in the second tier. I view us being in the first-tier in the not-too-distant future. I think if we're a 35,000- to 40,000-student institution with Division I sports, well-known programs, and excellent students in a geographic area that's just exploding, it's going to be a major university. And that's really the way that I view it now. It's very different from 1993 when it was Kennesaw State College, and it was 10,000 [students] or whatever it was at that point. Even though it's 10,000 to 18,000 [students], it just feels like the campus has changed dramatically. I think the sense we have of who we are has changed a lot. [KSU] used to be the undiscovered gem out here, and now it's a place that wherever you go in the Atlanta business community, somebody will say something nice about KSU, [such as], "You guys are doing great. We hear about you all the time. Keep it going."

TS: Well, the very appearance has changed since you came. We used to think of the business building as out in the suburbs, you know, out by itself. And now it's right on the campus green with buildings cropping up all around it. That's a change since 1993.

DH: Yes. But look at this place. It's just got some real strategic advantages with location, with the environment that you create for faculty—at least within my department—great use of technology, a creative approach to scheduling, doing things at the Galleria and doing things here. My perspective is more of the Coles College, but it's just a very, very, entrepreneurial group that is great at seizing the opportunity in an Atlanta marketplace that is still one of the fastest growing places in the country.

TS: What is it about the Coles College that has allowed it to achieve so much? It seems to me that you all are really competing already with Georgia and Georgia State. I mean, your programs are competing with them already. And certainly it's not holding you back to be at Kennesaw State in terms of having a national reputation in your field. It's not so much true, I don't think, in other colleges on our campus. I don't think our history faculty would be considered [to be] competing with Stanford or Harvard or anybody in the level of scholarship that we're doing. I mean, we think we teach better than they do, but in terms of the level of scholarship . . . But the Coles College has actually accomplished a great deal, I think. Who do you think is responsible? How has that happened? Is it location or personnel or what?

DH: It's a combination of factors. We've talked about the track system, which seems like something that's so simple it shouldn't make that big a difference. But I think it makes a huge difference.

DY: I can see how it would.

DH: Yes.

TS: I'm just now getting to where I've got a two-two. I think the amount of scholarship would be vastly greater on other parts of the campus if we had that kind of tracking system.

DY: Well, it promotes a kind of collegiality because everyone is happy with where he or she is. You can work collaboratively in that structure.

DH: That's right. So the track system is a major, major factor. I think the entrepreneurial culture . . . I think back to when we started the center—and even looking at the [Cox] Family Enterprise Center, the Econometric Center, the Center for Professional Selling—ideas bubble up. You go start it, and you try to keep up with it. It's not a bureaucratic, 'no' is the default answer to everything, kind of culture.

DY: Do you think, too, the youth of our institution have something to do with it?

DH: Oh, yes. Yes. I've said this to many people over the years: I view [our] not having a long history as being a huge advantage. There's not this "We always did it this way" or we're going to trot out this conflict from forty years ago, and that's going to be the reason we have to say 'no' to this. There's none of that. Everybody's got a lot of freedom to develop things.

TS: Would you see the dean and chairs and so forth pushing everybody aggressively, or are they staying out of the way so that this entrepreneurial spirit can swell up from the faculty? Is it bottom-up or top-down? How has it happened?

DH: It may vary by activity. If I think of something like the Executive Programs, [while] I haven't been heavily involved, my sense is that Tim Mescon really had a vision of building those programs within a short period of time. [They] are the second or third largest programs in the country, I believe. And then there are other things that bubble up. I think the administration does a very good job of not creating a layer of bureaucracy that becomes a wet blanket on innovation. And in our department, if you want to teach a new class on something, as long as it sounds reasonable, "God bless you; go do it; we'll see how it works out." That environment is so healthy when I compare it to colleagues I know at other institutions where it seems like moving a copy machine is going to create three faculty meetings.

TS: Right. [chuckle]

DH: So that lack of bureaucracy, the entrepreneurial culture, the track system, and then the location. With two-career families, you've got instances where the spouse is in business in Atlanta, and the other spouse is here at Kennesaw teaching. Or one spouse [is] at one university, and one spouse at another. So, [there are] just a lot of advantages in terms of the location.

TS: It must be hard to hold faculty in a business college, where you can go out into private corporations and make a lot more money than you're making here, maybe.

DH: Right. On the other hand, the lifestyle and the flexibility are worth a tremendous amount. I think a lot of people realize that. Or they're doing the role here, and they're doing occasional consulting in town. They're getting a taste of the business world and some financial compensation for that while focusing a vast majority of their efforts here. So again, in this market, there's the opportunity to do that. Whereas, if you're in the middle of a cornfield somewhere, you don't have that without travel.

TS: When we interviewed [S.] Alan Schlact, I was surprised at how much work he does off campus. In fact, I think he said he had more income from off-campus [work] than on. Does everybody in the Coles College tend to do that, do a lot of consulting work?

DH: It varies a lot by person. I've done very little consulting, but I've done a fair amount of funded research. I'm still now only in the end of my twelfth year of my career, so I'm still relatively new to this. I've really just had more of a research focus up to this point.

TS: So you're talking about research funded by the corporation that you're doing the research for?

DH: Exactly. Like KPMG's Audit Committee Institute, or The Institute of Internal Auditors or COSO. So I have not done a lot of for-pay consulting over the years. There are people who do a fair amount, and some who don't do any. So it's really very, very individual-specific.

TS: Are you talking about doctoral programs in business?

DH: I wasn't aware that we were until Dr. Black spoke at a reception a couple of months ago. He mentioned three areas, I think, for Ph.D. programs in the relatively near future. I think one was conflict resolution. I can't remember what the other one was, and then he mentioned business. And all the business faculty in the room kind of looked at each other because we really hadn't heard much about that. We're kind of at a unique point in that, if you look around at the departments, there are certainly people in each department who would function very well in a doctoral education [program]. So I'm not sure what the thought is as to where you would start that. Accounting is kind of strange right now, in terms of the market, in that we've got a ton of retirements taking place around the country. So you've got job openings posted all over the place.

DY: Is this the baby boomers?

DH: Well, maybe even just before. But then you look at people coming out of accounting Ph.D. programs. It used to be in the range of 200 to 210 [Ph.D.s] a year around the country. In the last five years, I don't know the exact number, but it's more like 80 or 90. The supply has been cut by over half.

TS: Why is that?

DH: Good question. It could be that the economy was so strong for such a long period of time that you start looking at the opportunity cost of going and getting, in many cases, a four- to five-year degree and making very little money while you're going through—that versus a big salary in business. It takes a lot of commitment to do that. But we're seeing a big drop-off in the number of people going into accounting Ph.D. programs. So as Kennesaw is thinking about Ph.D.s, which is obviously the next logical step as the institution moves forward, we're also having to think about our marketplace in accounting. A lot of schools are dumping Ph.D. programs at this point. So it's unclear to me how that would work out in terms of accounting.

DY: Well, something that Lynn Black did say today was that the *caveat* came down from the board that while we are officially the second tier, the door will be closed for Ph.D. programs. That is not to say doctoral programs, but traditional Ph.D.

programs. Of course, he was fairly cavalier about that because he said, "Well, Kennesaw has always had its own particular spin." We put our own spin on programs, and we can continue to do that. There are just different kinds of doctoral programs. So given what you've been doing and what your colleagues have been doing, I can imagine you can craft some kind of doctoral program that might draw in those people who don't want to go through the traditional Ph.D.

DH: Right. Well, what comes to mind is Rich Clune, who is in our department now, and who is in an executive doctorate program at Case Western [Reserve University]. He's just finishing up now, and he'll be coming to us permanently in the fall. But it's a program that's not specific to a discipline in business. It's a business program designed to train people with significant business experience on how to do applied research. Something like that would be a perfect fit.

DY: Exactly. That *is* Kennesaw. That's the Kennesaw spin right there.

DH: That's right. Yes. But when you said doctoral, I was thinking Ph.D.

DY: I think we all do.

DH: That's interesting.

DY: Isn't that exciting?

DH: Yes. To my knowledge—and from what Rich has said, too—the Case Western program is the only one in the country right now. So he's flying up to Cleveland. We would have a basis to do that.

DY: There we go. Kennesaw, cutting-edge again.

DH: Yes.

TS: You've talked a bit about your research in auditing and corporate governance. We haven't really talked about what you've done in way of research in accounting education. Would you talk a little bit about that?

DH: Yes. It's not been really as voluminous as the other areas. I've done some work on active learning and the extent to which active learning helps promote recall of the facts on the part of students. I did one study in accounting, and then I did a companion study in finance with James [G.] Tompkins [Professor of Finance] and my wife [Heather M. Hermanson, Professor of Accounting]. With others, I've done some work on research, teaching, and service expectations at different types of universities. I've done some work on the executive MBA program—what's covered in terms of accounting content and finance content—with my wife, James Tompkins, and also Rodney [G.] Alsup [Senior Associate Dean for Graduate Business Programs and Professor of Accounting], looking at some curriculum issues there. We're involved in a study right now looking at ethical issues in the review process in refereed accounting journals [with Timothy Louwers and

Charles Bailey]. That's been fascinating already. My job at this point is to go through the written comments. We've only got three open-ended questions, but it's already clear that we've stuck a nerve. There are some just fascinating responses that we're categorizing right now on what people think is appropriate or inappropriate, or a story that happened to them, and suggestions for improving that process. We're a discipline that doesn't have a code of ethics for academics, so it's very unclear [as to] what's acceptable and what's not acceptable in the review process.

DY: Would this also tie in governance? I mean when you talk about publications and having some . . .

DH: Oh, yes. Basically, governance of our academic discipline, yes. And yet you've got very diverse practices across journals; you've got diverse ethical orientations across individual people. It's just been fascinating to see some of the responses, where it's almost half one's and half five's [on a one to five scale]. Just very, very divergent views.

DY: You've either had a horrible experience or a very good experience.

DH: Yes. That's just the latest example of something that's more education or institution-oriented that I've been involved in.

TS: Well, it sounds like working on codes of ethics would be right down your alley.

DH: That's right. [laughter]

TS: With fraud and auditing and so on.

DH: That's right.

TS: You have information technology as one of the areas where you've done some research, too. What have you done there?

DH: There it's not the technical side of information technology, but it's, again, the governance side. One study [with Daniel Ivancevich and Mary Hill] looked at internal auditors and the extent to which internal auditors are addressing IT [information technology] risks as they address risks within the company. The basic conclusion was they're not addressing IT risks a whole lot because it's not clear who really understands those. And then I worked with Linda Hadden, who was getting her doctorate at Nova Southeastern [University]. I served as her dissertation chair, and her dissertation was looking at audit committee oversight of information technology risks, trying to get a sense of to what extent the audit committee has focused on this issue as they oversee financial reporting. It was the same kind of conclusion—that audit committees probably weren't doing as much as many would hope.

DY: Why do you think that is?

DH: Probably an understanding issue.

DY: Yes, that's what I'd think.

DH: You have one group that has internal controls expertise, and you've got the tech group that understands the system. But neither group really understands what the other party is talking about. So finding people to bridge that gap is the challenge.

DY: And we're going to have to do that.

TS: Well, you were one of the "Forty under Forty" in *Georgia Trend*. I love *Georgia Trend*. You're at least the second on our campus to get that.

DH: That's right. Roger [C.] Tutterow was first.

TS: Yes, Tutterow got it a few years back. I guess you won't be able to get that anymore.

DH: No, I just squeaked in. I was thirty-nine. [laughter]

TS: But that's quite an honor to be singled out by *Georgia Trend*, I think.

DH: I was delighted to be included there.

TS: The amount of awards and publications you've got is just astounding. Maybe I should ask you how you find the time to do all of this that you're doing?

DH: What I really try to do is to work hard when I'm working. But I'm not a sixty- or seventy-hour-a-week person anymore. Before we had our first son, Tim, who was born after we'd been here for a year—through the Ph.D. program and even the first year here, it was sometimes seventy hours a week. We did the Ph.D. program in three years, which nobody had done there in awhile so [it was] a very intense effort. Public accounting was a lot of seventy-hour weeks or more. And then when Tim was born, we just concluded we were going to work normal hours. We're just going to work very hard during that period.

DY: And how old is he now?

DH: He's ten now.

DY: And is he proofing your book?

DH: No. [chuckle]

DY: That's going to come.

DH: He'll ask sometimes what I'm writing about, and I'll explain it. He's got a very good sense for understanding the issues. Our younger son is Will, who is seven.

But I'm very focused on balancing family life and work life. Over the years, I've tended to work at home more and more all the time.

TS: With computers it's possible now. And the Internet.

DH: Yes. And really, from a student standpoint, too, the students really don't come by my office physically. But through WebCT, there's constant accessibility and interaction there. So with the technology, it really opens things up. I have a very unstructured [set-up]. Sometimes I'm working here, sometimes I'm working at home. Sometimes it's seven in the morning I'm working, and if things really get cranked up, my escape valve is ten at night to two in the morning. I focus very well during that period. It's painful the next morning when I get up with the kids at 6:10 and get them off to school. But if things are really getting intense, I'll do that for two or three nights, then collapse and get back to normal. I'm not seventy-hours-a-week; I'm not weekends. I'm fortunate that I can write quickly. I type with three or four fingers, and my typing speed seems to be perfectly synchronized with my thinking speed, so I can just get through it quickly. So I really focus on efficiency rather than massive hours and really try to manage professional travel [to be] as low as possible—a couple of trips a year, maybe—so I'm not running around from conference to conference and all of that.

DY: Well, it sounds like both cognitively and philosophically, so much of your work flows together anyway.

DH: Yes. Very much so. To give you an example, the other day I was preparing a presentation I'll be giving to a local CPA firm, and it was exactly the same material that I was presenting to my forensic accounting class that night. Parts of it came from things I had either read preparing for an article or [from] stuff that I had written myself. I don't view it as "teaching is here, and service is here, and research is here, and outside stuff is here." It's all one bundle, and it's either stuff on helping companies prevent disasters or studying the disasters that have taken place. It's all under that one envelope. So, yes, the efficiency from that is tremendous.

TS: Does Kennesaw ever call on you to deal with any of its auditing problems?

DH: I have not had any calls from the KSU auditors, no. [laughter]

TS: I guess they need an independent voice from off campus.

DH: That's right. I have to tell them I'm not independent.

TS: Do you have any aspirations for administration?

DH: I really don't. My dad never did. He was department chair, I think, for a couple of years at Maryland before we came here.

DY: They probably had a rotating system.

DH: Yes, I think so. I really don't have administration aspirations. I'm really thoroughly enjoying what I'm doing. I'm teaching a new class this semester, forensic accounting, which has been . . .

TS: What is forensic accounting?

DH: Basically, investigative accounting, where there's some anticipation that there are going to be legal proceedings at some point. The forensic accountants would go in after there were allegations of fraud and do the investigation.

TS: After the allegations. I was thinking of autopsies.

DY: I was, too. I was thinking [television show] *CSI*. You shine your lights; you pick up your evidence. You analyze it; you recreate situations. Oh, I bet that's exciting.

DH: It has been the best teaching experience I have ever had in my career. I just have a phenomenal class with people in there with just unbelievable business experience. We've had a number of speakers come in who have just been incredible, including one duo that's a retired FBI agent [Oliver Halle] along with a person who went to federal prison for embezzling funds from a company [Diann Cattani]. That was the most riveting class I have ever had in my career. Just unbelievable.

DY: How many students?

DH: Twenty-seven or twenty-eight.

DY: That's doable.

DH: Yes, that has been just an incredible experience.

DY: I wish I'd known about it. I would have [come].

DH: [laughter] But, there again [is] another example of the synergy. One of the speakers was David Wolfe, who is a forensic accountant in town that I've been writing some papers with. Another is Chris Rossie, who is with Oversight Systems, Inc., a company that's developed continuous monitoring software so that they can test every transaction that's taking place in the company, real time, and try to identify errors, misuse, and fraud. So those are two of my speakers. And I'm an advisor to Oversight. We're writing papers together. I'm doing stuff with David Wolfe. I've got two of my four outside speakers for the semester, and again, [there's] just tremendous overlap.

DY: That's so energizing, too, that you don't get tired and beat down when you're working creatively like that.

DH: That's right. And I've said to so many people I'm so delighted to be in an environment where you can pursue forensic accounting—I'm now interested in and hadn't done much in it before. I can do that and have the freedom to do that. It's not the traditional model that you see at some institutions, where if whatever you're doing doesn't fit in these four boxes or these four journals, then you're wasting your time, and you'll be penalized for that. I really don't want that environment at all.

TS: I think I've gone through most of my questions. Do you have anything that we left out?

DY: It's been absolutely delightful.

DH: Oh, thanks. Yes, I've enjoyed this.

DY: This will be very helpful for our history where we're seeing trends and themes that are coming through that you are also stating: the excitement and the possibilities that are here at this institution.

DH: That's right.

TS: Great.

DY: Thank you very much.

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