Forces of Deinstitutionalisation and the demise of KMG Kendons

Rachel Baskerville, Binh Bui and Carolyn Fowler

School of Accounting and Commercial Law, Victoria University, Wellington

Paper submitted to

The Sixth Accounting History International Conference

18-20 August 2010, Wellington

Date of submission: June 10, 2010

Corresponding author: Rachel Baskerville, rachel.baskerville@vuw.ac.nz

School of Accounting and Commercial Law, Victoria University, P O Box 600, Wellington, New Zealand

Ph: 0064 4 463 6951,

Fax 0064 4 463 5076

Forces of Deinstitutionalisation and the Demise of KMG Kendons

Abstract

This paper applies the theory of deinstitutionalization (Oliver, 1992) to examine what happens in professional partnerships when impacted by forces of deinstitutionalization; and what could be done instead to reverse such forces and thus ensure survival. This case study focuses on KMG Kendons, a well-known and respected New Zealand partnership that did not survive forces of deinstitutionalization. The study tells the story of the historical formation and demise of KMG Kendons from 1967 until 1988. The paper suggests the demise of KMG Kendons was driven by exogenous deinstitutionalization pressures but exacerbated by the lack of internal capabilities and integration to cope with these environmental pressures. It further argues that strong leadership, clear strategic direction, and a strong organisational culture and identity are critical factors as they enable organisations to cope with changing exogenous environments and mitigate the impact of deinstitutionalisation pressures on organisations' internal processes and practices.

Key words: New Zealand, accounting partnerships, deinstitutionalization.

Forces of Deinstitutionalisation and the Demise of KMG Kendons

> "The real breakpoint was around about 1982-83, with the international formation of KPMG. We had a connection with an international firm, which at that point was called Klynveld Main Goerdeler, which is the KMG in KPMG, and they were developing quite a strong international firm, and we were increasingly becoming part of that. We had been through a number of quality control assessments, and had got to the point where they had been happy to refer the Philips audit to us in New Zealand, and that was a major achievement in terms of our professional development, and in terms of the grooming of the relationship….However, I think we only ever had one cycle of that before the Klynveld Main Goerdeler got together with Peat Marwicks to form the international firm, and it slipped through our fingers. What also slipped through our fingers at that stage was the glue that held our national association together, because we no longer had an international association. Klynveld Main Goerdeler had gone and Peat Marwick had that connection." (Partner in KMG Kendons)

Introduction

Organisations such as accounting firm partnerships are the result of internal and external socially constructed shared norms, resulting in a multitude of accepted organisational institutions (Jepperson, 1991; Scott, 2001; Kostova, Roth and Dacin, 2008). In the 1970s and 1980s, two prevailing institutions or taken-for-granted norms in accounting partnerships in New Zealand and elsewhere, were first, that successful accounting partnerships needed to be big – that is, a nationwide firm. Second, it was believed these nationwide firms had to have international affiliations or connections. In particular, connections with the Big 8 accounting firms were seen as desirable, as they were perceived to be the only guarantee of large firm survival. The acceptance of these taken-for-granted institutions (socially constructed shared norms) was observed in chartered accounting partnerships, resulting in the adoption of related organisational strategies.

However, the wider environment that supports institutions is not stable and changes over time. During the mid to late 1980s, this business environment underwent major changes as a result of: globalisation including merger and acquisition activity, and increasing competition; growth in accounting and audit technology; a change in services offered by accounting firms;

and other economic events that shifted the drivers to growth. Additionally, there was politically and socially driven change within the accounting profession (Baskerville and Hay, 2007a and b; Baskerville and Hay, forthcoming). This social, political and economic driven environmental change created, in some accounting partnerships, the forces for deinstitutionalization and potential partnership disintegration.

By studying deinstitutionalization, we aspire to identify what conditions, or economic, political and social factors, combine to create these pressures, and thus make an organisational institution, i.e. a professional partnership, vulnerable to failure (Oliver, 1992). Consequently, this paper applies Oliver's 1992 theory of deinstitutionalization to an accounting partnership and in doing so, offers answers to the following questions:

1. What happens in professional partnerships when confronting forces of deinstitutionalization?

2. What could have been done instead to reverse such processes, and thus ensure survival?

To answer the last question is important, as the demise of any large accounting partnership impacts on the people within the organisation, as well as the wider communities. When offices close down, client and employee trust is lost and the reputation of the accounting profession suffers, along with imposing a social cost to the people and communities affected by the closure. This case study focuses on the firm of KMG Kendons, a very well known and respected national partnership in New Zealand that did not survive in a rapidly changing environment. Could the demise of KMG Kendons have been predicted and then prevented?

In order to answer these research questions, the structure of this paper is as follows. The next section explores the concept of institutionalization and deinstitutionalization within organisations and extends this to a discussion on deinstitutionalization within professional partnerships. This is followed by an outline of the methods and data used in the study. The next section presents the evidence and tells the story of the historical formation and demise of KMG Kendons from 1967 until 1988. The paper concludes with discussion and the presentation of conclusions.

Institutionalization and deinstitutionalization in organisations

The environments that organizations exist in are socially constructed, interconnected and shared by actors within the organisational-field as well as those within the organisation (Jepperson, 1991; Scott, 2001; Lounsbury, 2008). Organisational success depends on more than firm effectiveness and efficiency; it is also related to other factors within the socially constructed internal and external environments (Kostova et al., 2008). These exogenous and endogenous factors [that include taken-for-granted rules, norms, procedures, patterns, programmes, and ways of doing things] are referred to as institutions (Jepperson, 1991; Scott, 2001; Greenwood and Suddaby, 2006; Kostova et al., 2008). Overtime, these institutions are subject to institutionalization by organisations. Institutionalization is the "process by which social processes, obligations or actualities come to take on rule like status in thought and action" (Meyer and Rowan, 1983, p.72). It is how "what organisations do" happens, and is a socially negotiated process (Scott, 2001; Greenwood, Suddaby and Hinings; 2002).

When faced within exogenous or endogenous demands, organisations adopt and adapt and range of institutions to ensure survival. Organisational-field members' perceptions of the organisation's legitimacy are also likely to be enhanced in these processes (Jepperson, 1991; Oliver, 1992; Scott, 2001; Dacin, Goodstein and Scott, 2002; Kostova et al. 2008). Although some institutions are considered to be stable, changes within the organisation's environments will result in the alteration of other taken-for-granted institutions (Jepperson, 1991; Scott, 2001; Lounsbury, 2008). These changes can be endogenously or exogenously driven, either by an organisation developing contradictions within their environment, or by exogenous shocks or jolts (Jepperson, 1991; Greenwood et al., 2002). Types of environmental change include regulatory change, outsourcing, competitive action, social upheaval, technology changes, management restructuring and performance issues (Greenwood et al, 2002; Martin, Johnson and Cullen, 2009). However, organisations do not all change in exactly the same way, as they are not subjected equally to exogenous environmental forces, have different endogenous conditions such as resources, power and management structures and political concerns, or choose to respond in different ways (Scott, 2001; Dacin et al., 2002; Greenwood et al., 2002; Lounsbury, 2008). But for some organisations within an organisational-field, environmental change will result in the deinstitutionalization of some existing taken-for-granted rules, practices, norms, procedures etc. (Scott, 2001).

Deinstitutionalization is “the process by which prevailing institutional practice is abandoned” (Maguire and Hardy, 2009, p.150). It is the way in which an organisation’s practices, strategies or taken-for-granted institutions are altered by changes in its environment, and the resultant impact on structures, norms, practices and processes (Jepperson, 1991; Oliver, 1992; Scott, 2001). Oliver (1992) indicates that it is possible to recognise a number of distinctive exogenous and endogenous factors, or antecedents, behind deinstitutionalization. There are three pressures within the deinstitutionalization process (Oliver, 1992; Seal 2003): political, functional (economic), and social pressures.

Political pressures are both internal and external in nature: a “political response to changing power distributions” (Oliver, 1992, p.570). Political pressures include changes in leadership, political disruptions, changing intra-organisational and organisational-field conditions and dependencies, competitive and innovative pressures and performance problems (Oliver, 1992; Seal, 2003).

Exogenous and endogenous functional (economic) pressures “arise from perceived problems in performance levels associated with institutional practices” (Scott, 2001, p.182). That is, organisational practices are perceived to no longer be efficient or effective (Oliver, 1992). Functional pressures include competition for resources, decreasing profitability, conflict with other organisational practices or data and increasing technical specification (Oliver, 1992; Seal, 2003).

Social pressure can be exogenous or endogenous and result from the "loss of culture, consensus or agreement among organisational members on the meaning and interpretations they attach to ongoing organisational tasks and activities" (Oliver, 1992, p.575). In other words, organisational members recognise that it is no longer acceptable to behave as previously. Social pressures can result from organisational restructuring, merger and acquisition activity, the introduction of new staff, changes in the executive management team, new laws and regulations, and organisational-field change, as well as more general change in social values and expectations (Oliver, 1992; Seal, 2003). The relationship between the three pressures for deinstitutionalization and the endogenous and exogenous environments are depicted in Table 1 (adapted from Oliver, 1992, p.567).

Table 1: Environmental and Organisational Deinstitutionalization Pressures

Level of Analysis	*Political Pressure*	*Functional Pressure*	*Social Pressure*
Organisational (Endogenous)	Mounting performance crisis Conflicting internal interests	Changing economic utility Increasing technical specifity	Increasing social fragmentation Decreasing historical continuity
Environment (Exogenous)	Increasing innovation pressures Changing external dependencies	Increasing competition for resources Emergency evaluation and data	Changing institutional rules and values Increasing structured disaggregation

Research into deinstitutionalization is rarer than studies that examine the institutionalization process (Scott, 2001; Zilber, 2002; Maguire and Hardy, 2009). However, studies that do focus on deinstitutionalization include those examining social issues such as the abandonment of the use of poisonous chemicals (Maguire and Hardy, 2009) or the weakening of fundamentalist Islamic beliefs (Geertz, 1971). Other deinstitutionalization research focuses on institutions and organisational behaviour such as multi-national corporations (Kostova et al., 2008), control systems (Martin et al., 2009), the abandonment of organisational practices such as non-track tenure (Tolbert and Sine, 1999) and particular radio broadcasting formats (Greve, 1995), and the giving of new meanings to past organisational practices (Zilber, 2002).

Some of the deinstitutionalization research specifically tests Oliver's (1992) framework. Predominately, this appears to be public sector research. For example, from an endogenous perspective, Joseph and Kearns (1996) examined the closure of a psychiatric hospital both as a single occurrence in the "unfolding narrative of deinstitutionalization and a specific manifestation of restructuring" (1996, p.1). Seal (2003) used Oliver's theory of deinstitutionalization to explain partial changes in the use of incrementalism in the budgetary process of a large UK local authority. Further, Henisz, Holburn and Zelner (2005) utilise this framework to identify what factors led to government intervention into the electricity supply reforms in 83 countries. Within a New Zealand context, Balme and van Peursem (2009) employed Oliver's framework to analysis a government's plan to dissolve the Serious Fraud Office, and how this deinstitutionalized threat was communicated in news media.

Deinstitutionalization in professional partnerships

A review of the professional partnership literature suggests the theory of deinstitutionalization has not been used to consider organisational behaviour within professional partnerships, such as chartered accountants. Prior research in this area has investigated factors that appear to be possible reasons why professional partnerships have undergone change since the 1960s (Baskerville and McMeeking, 2009). However, few researchers have considered the extent to which partnership changes may be driven by exogenous or endogenous deinstitutionalization forces; forces that may lead to the demise of some organizations. Nor has there been extensive research considering how accounting partnership disintegration may be prevented.

International research conducted by Greenwood, Hinings and Suddaby, along with others, suggests there were many alterations in the environment during the 1970s and 1980s. These include changes to the type of services provided, with a move from predominately audit to the inclusion of taxation and consultancy services, and the associated growth of multi-disciplinary accounting firms (Greenwood et al, 2002; Suddaby, Cooper and Greenwood, 2007; Cooper and Robson, 2009). Accounting firms also implemented strategies to combat competition and resource pressures including increasing the size of the partnership, and the internationalisation of the professional partnership through merger activities; supposedly to increase performance due to economies of scale (Greenwood and Hinings, 1996; Cooper and Robson, 2009). Intra-organisationally, accounting partnerships also altered with new organisational structures (a managed professional model) and changing power distributions (Greenwood and Hinings, 1996). From an institutional perspective, the changes that occurred within accounting partnerships were enabled by actors within the organisation and from the organisational-field (Greenwood and Suddaby, 2006). Organizational professionalism had arisen in professional partnerships, in a historical context, where it could be viewed as "translating a scarce set of cultural and technical resources into a secure and institutionalised system of social and financial rewards….Whilst it is undoubted that growth in the size of firms and their globalization bring new challenges, these are resolved in ways that are sensitive to professional values and interests. In particular, a commitment to professional autonomy and discretion still characterises the way in which these firms operate and organize themselves" (Faulconbridge, 2008, p.7).

Research by Baskerville and Hay on the changing nature of the accounting professional partnership suggests the demise in accounting partnerships within New Zealand is driven by an economic rationale related to four key changes in the accounting profession's competitive environment. These were:

1. A change in the work that larger accounting firms did, with a move from being predominately audit service providers to include more consulting services (Baskerville and Hay, 2006).

2. The New Zealand Society of Accountants making changes in its policies and regulations during the early to mid 1980s. One of these was to allow accounting firms to use international names (Baskerville-Morley, 2006).

3. Developments in auditing and accounting technologies that required firms to make substantial investment in assets and staff training if they wished to acquire this technology (Baskerville and Hay, 2006; Baskerville and Hay, forthcoming).

4. Changing accounting partnership structures with the emergence of large multinational firms (the Big 8), through international mergers and the resulting globalisation of accounting service provisions including a move by international accounting firms into the New Zealand market place (Baskerville and Hay, 2006; Baskerville and Hay, forthcoming).

To respond to the movements within the professional environments, partners and other actors developed a belief that for their partnerships to survive, they needed to have a nationwide spread of firms with international affiliations. However, for most New Zealand partnerships, there were costs associated with this institutionalized belief, including: the increasing complexity of partnership structures, a loss of local identifiers and the move to a managed professional business model. The human costs were also high with decreased staff morale and increasing internal conflict (Baskerville and Hay, forthcoming). Some of these accounting professional partnerships paid the ultimate cost and did not survive, as in the following description.

Research objective and method

The objective of this research is to examine what happens to taken-for-granted institutional norms in professional partnerships when the environments in which those partnerships exist change markedly. Using Oliver's (1992) theory of deinstitutionalization, and a case study approach, the following research questions are explored:

1. What happens in professional partnerships when confronting forces of deinstitutionalization?

2. What could have been done instead to reverse such processes, and thus ensure survival?

The organisation studied for this single historical case is the accounting professional firm partnership that, by 1984, was known as KMG Kendons. The analysis of KMG Kendons and its predecessor firms offers a multi-level organisational analysis (Scott, 2001; Dacin et al., 2002; Dillard, Rigsby and Goodman, 2004), concentrating on one organisation over an extended period of time (1967-1988). A multi-level organisational analysis considers the "interweaving of top-down and bottom up processes as they combine to influence institutional phenomena" (Scott, 2001, p.196).

To answer the research questions, a two-part method was adopted. The first was analysis of oral history narratives of retired partners from the various predecessor firms of KMG Kendons. The second involved the examination of secondary data sources relating to accounting firms and the New Zealand accounting profession, including published firm histories, the New Zealand Society of Accountant's yearbooks (1976-1994), the Accountants Journal for the 1970s and 1980s, New Zealand newspapers and magazines, Kendon Cox and Co and predecessor firms' newsletters, as well as more general reference sources.

There are some limitations with studies of this nature, the main one being the different memories people have of the same events (Baskerville, 2006). Effort was made by the authors to focus on the commonalities of the oral narratives, thereby increasing the reliability of the oral evidence. Documentary sources and oral narratives can be interpreted by different people in multifarious ways suggesting researchers can reach alternative interpretations, each of them equally defensible (Tosh, 1991). Further, the evidence examined has to be selected and once selected, cannot be considered in a detached manner (Fleischman, Mills and Tyson, 1996), thus a bias may be introduced based on the researchers' background, personal characteristics and interests. By non-biased source selection, triangulation of documentation and oral evidence, and having three researchers involved, interpretation and selection bias is minimised, although the focus on a single historical case means generalizability is limited (Yin, 1994). The use of a theory of deinstitutionalization allows some analytical, albeit tentative, generalisations with respect to the patterns and relationships observed. If future research into deinstitutionalization in professional partnerships utilises the same theoretical support then their findings may improve external validity (Tosh 1991, Yin, 1994).

The rise of KMG Kendons

Kendons Cox and Co. (1967-1981): out of the Age of Tedium

> "When I started work in 1964, I worked for a partner called Lloyd Bullock who had served in the war in the Royal Navy, and had trained immediately after the war in a London firm. In fact, I think it was Spicer & Pegler, and his audit methods were fixed in that time… So I was brought up in that sort of age of tedium, I suppose, when there was a lot of ticking and adding, manually". (Kendons partner)

The partnership name of Kendons Cox offered historical visibility of two well-known and respected New Zealand firms: Kendon Mills Muldoon & Browne and Cox Arcus & Co[i].

Cox Arcus and Co.

Mr J. L. Arcus set up a family accounting business in Wellington in 1908. There, three generations worked together to build up the firm from the original firm Gold & Arcus. From the outset, the partners placed a particular emphasis on international affiliation. Through various ways, by late 1960s, J. L. Arcus had a connection with Thomson McLintock in Britain, Main Lafrentz in US and Hungerford Hancock and Offner in Australia, and Thomson McLintock formed an international practice with Main Lafrentz (Winsbury, 1977, p.133). These first connections later facilitated further connections to both overseas and local firms, and led to the formation of Kendon Cox in early the 1980s.

While J. L. Arcus was developing its business in the Wellington region, at the other end of the North Island, Carlaw Greville & Twomey was formed in Auckland in 1927. This firm merged with another local firm of Cox Elliffe Highet & Co in 1967 to become Cox Elliffe Twomey. Post merger, the new firm gained the audit for an important New Zealand whiteware manufacturer, Fisher and Paykel, and this audit was retained through subsequent mergers until the audit followed Kendons Cox partners to Coopers and Lybrand in 1987.

Until the late 1960s, within New Zealand, Cox Elliffe Twomey was affiliated with J. L. Arcus & Co and acted as their agent for Auckland clients. However, by the early 1970s, both the client base and international connection that J. L. Arcus enjoyed for a number of years had become shaky. It was clear to Arcus partners that their audits were threatened and a new and more effective strategy needed to be found to safeguard the firm’s future. Additionally, the connection to Hungerford, Hancock and Offner was shattered in the early 1970s due to the merger between Hungerford, Hancock and Offner and another Australian firm whose correspondent in New Zealand, Morris Pattrick at that time, ruled out J. L. Arcus retaining the affiliation.

As a result of losing this affiliation, J. L. Arcus approached Cox Elliffe Twomey together with S. P. Godfrey in Christchurch. The merger was proposed, agreed to, and in 1969 the name of the new firm was Cox Arcus & Godfrey. However, soon after the merger, Godfrey decided to leave for Wilkinson and Wilberfoss. Before the departure of Godfrey, however, Cox Arcus & Co accepted Gillick Hercus & Co, a well-reputed Invercargill firm, into its national network. Concurrently, they entered merger talks with potential affiliates in other parts of the country: Cox Innes Jones in Levin, Burn and Worsley in New Plymouth and Baron & Pnrs in Hamilton. All negotiations were concluded around 1973-1974 and the national firm Cox Arcus and Co was established.

Further, during the International Congresses of Accountants (Sydney 1972, Munich 1977), the partners of Cox Arcus & Co had worked to establish an affiliation with Turquands Barton Mayhew, one of the biggest UK-based firms, and part of the European consortium Klynveld Turquands DTG. This consortium included Klynveld Kraayenhof & Co., the biggest accounting firm in the Netherlands of the time, and DTG (Deutsche Treuhand-Gesellschaft), the second biggest accounting firm in Germany, formed in order to compete with large American-based firms. However, in 1979 Whinney Murray, Ernst & Ernst, and Turquands Barton Mayhew joined together as Ernst & Whinney (Jones, 1981, p.246). This merger put an end to the affiliation between Cox Arcus & Co and Turquands Barton Mayhew, and Cox Arcus & Co was left without international connection.

When Turquands Barton Mayhew merged with Ernst & Whinney in 1979, the European consortium was dissolved. In September, McLintock Main Lafrentz allied with Klynveld, DTG and other European firms to form Klynveld Main Goerdeler (KMG) with the same purpose as the previous consortium: to compete with the American-based Big Eight firms. Cox Arcus & Co saw this opportunity to begin a new international affiliation. However, at that time in New Zealand, Lawrence Anderson Buddle was also actively pursuing an affiliation with KMG. Therefore in order to gain additional forces to strengthen the image of the national firm and thus to win the international connection with KMG, Cox Arcus & Co merged with Kendons Mills Muldoon and Browne.

Kendon Mills Muldoon & Browne

The original firm of Kendon Mills Muldoon & Brown was Kendon Mills, which was established by William Kendon in 1907, although details of the early history of the firm remain unknown. One of the later partners, Robert Muldoon, became Prime Minister of New Zealand in 1975. With eight partners in the 1970s, the firm had representation in tax, auditing and business services. With Robert Muldoon's name and their range of services, Kendon Mills Muldoon & Browne established themselves as a reputable practice in the Auckland region, and started talks with associates in other cities, with a view to become a national firm. Muldoon was the catalyst for these merger talks (Baskerville and Keeper, 2007). As a result, the national firm named Kendons was formed, with offices in Auckland, Lower Hutt, and Christchurch.

However, Kendons did not have any major international connection. During the 1977 International Congress of Accountants in Munich, Kendons partners participated, but they did not join Cox Arcus & Co in its talks with Turquands Barton Mayhew. International affiliation did not appear to be a priority for Kendons during that period; and even the subsequent merger with Cox Arcus & Co had not been driven by the need for an international affiliation.

Kendon Cox

As already described, when Turquands left Klynveld Turquands DTG and formed Ernst & Whinney, Cox Arcus found Kendons an attractive candidate for a merger to attract the KMG name, not only because of their strong client base and wide geographical coverage but also because they had Robert Muldoon, who at that time, although being Prime Minister, offered a presence to Kendons which created a competitive advantage for Kendons over other firms.

From Kendons' perspective, the merger with Cox Arcus & Co was a strategic decision. Kendons partners saw merger as the quickest and easiest way to grow the firm to undertake large audits. Further, Kendons and Cox Arcus & Co were largely geographically complementary. The merger extended the presence of both firms to all major cities. In addition, the two firms had similar organizational structures and were a "good strategic fit". These factors accelerated the success of talks, and in mid-1981 Kendon Cox and Co was launched.

KMG Kendons: post-merger consequences (1981-1985)

Apart from the Auckland, Lower Hutt and Wellington offices, no physical mergers were implemented after this merger; thus the national firm could be viewed only as an 'umbrella partnership'. The financial systems of each firm were independent. Profit was shared only on an office basis, although each office only had to contribute proportionately to costs incurred for the national 'firm', such as insurance, connections with overseas firms and partners' meetings.

As it turned out, the merger was "strategically right" but "operationally difficult" (comment by a Kendons partner). The main barrier to benefiting from post-merger synergies was an inherent difference in the firm cultures and philosophies. Cox Arcus & Co was still a family-business style. It had a hierarchical and centrally-controlled organizational structure, with a more conservative approach to its practices. In contrast, with some younger partners, Kendons enjoyed an organizational structure that was flatter and more dispersed, enabling more of a culture of innovation and adaptation. As a result, the national firm was operationalised only through specific committees with a mix of members from different offices as well as different practice areas.

Despite some difficulties, the merger was successful in respect of the desired growth. The new national firm, Kendon Cox & Co had a total of 57 partners, in 11 geographically spread offices. As well as the signalling effect, being national also strengthened the component firms, especially through mutual client referrals and new audits. In fact, Kendon Cox & Co enhanced their competitiveness over other medium-large firms. The formation of the national firm also helped them win the KMG affiliation. They were able to access "state-of-the-art" technological advances in the commerce and the accounting profession through KMG's international partner meetings. This affiliation in turn enabled the firm to stay abreast of the changes in world business practice, and thus plan their activities in anticipation of their impacts on the New Zealand market. Moreover, the information gained could be transferred to clients, increasing their satisfaction with firm services.

In October 1982 when the use of an international name was allowed by the New Zealand Society of Accountants, they rebranded as KMG Kendons, dropping the "Cox" name. From 1981 to 1985, KMG Kendons experienced the most stable growth period in its history. In 1983, it opened a new office in Takapuna, increasing to twelve offices nation-wide with sixty partners in 1985.

Deinstitutionalization: the demise of KMG Kendons (1985-1987)

In 1985, things began to go wrong within KMG Kendons. Changes occurred within the internal and external environments that triggered deinstitutionalization processes, which ended with the demise of the firm. Major deinstitutionalization pressures (factors and antecedents, Oliver 1992) were caused by: the "cherry-picking" behaviour of Peat Marwick, the split of the Auckland office, and the departure of the Wellington office, as described further.

'Cherry-picking' by Peat Marwick

When Peat Marwick Mitchell (hereafter Peats) merged with KMG on a world-wide basis, Peats in New Zealand was in a position to control the outcome of the merger in New Zealand. Peats could have absorbed all KMG Kendons firms, similar to merger activity in other countries. However, considering its existing extensive coverage in all cities, Peats employed an aggressive and discriminating approach in talks with KMG Kendons. They did not want all the KMG Kendons offices, as they regarded KMG Kendons as 'not up to their standards' (comment from a retired partner from Peat Marwick). From the KMG Kendons perspective, this Peats arrogance was intolerable:

> [Peats said] "We are dominant and we're going to control this merger, and where we haven't got offices and we want offices, then we welcome the Kendons offices; where we have got offices we don't want to take over existing offices and leave them to run, we'll take the one or two or maybe three partners that we want out of those offices, and we won't merge with the rest, we'll just take the eyes out of them."

Even before negotiations, most KMG Kendons offices had decided they would not agree to the directives of Peats. The Hamilton and Dunedin offices, deciding they wanted to join Peats, entered talks with Peats in these cities and merged with them in 1985 and 1986 respectively.

The split of the Auckland office

Partners in the remaining offices of KMG Kendons, perceiving that the terms of the 'takeover' by Peats was not a choice, started to look for alternatives for each office. Peats started talks with the Auckland offices KMG Kendons from mid-1985 and had approached them with a mindset of a potent acquirer:

> "Because when Peat Marwick were looking at merging with us, they had 24 partners, and we had 19, and they said that's too big. Well, Kerry Stotter said "That's too big". He was the managing partner at that stage in KPMG; they said "We'll take two audit partners and your audits". [Laughs] We didn't agree with that".

These difficulties in negotiations between KMG Kendons in Auckland and Peats were noticed by Price Waterhouse in Australia[ii]. A merger, proposed by Price Waterhouse to KMG Kendons in Auckland, in early 1986 was initially viewed favourably by all partners. Price Waterhouse negotiation terms included an apprenticeship requirement of senior partners, and this triggered internal conflict among the Kendons partners, which eventually led to growing dissatisfaction among the senior partners and a split vote (9/10), which effectively cancelled the merger.

The unexpected split vote triggered a cultural division between the group of younger partners of antecedent Kendons who had always preferred autonomy and innovation and a group of senior partners who were seen as typifying the conservative and risk-adverse Cox Arcus tradition. Younger ex-Kendons partners in Auckland were keen to join Price Waterhouse; and in early 1986 these six mostly younger partners joined Price Waterhouse.

The remaining partners aimed to rebuild the firm through making new senior position promotions from both internal and external sources. It was hoped that this would retain client trusts, expand the business and increase the fee base. Mr Couch announced the firm's personnel change in the press as:

> "Six of our colleagues let us know that they saw their future elsewhere, and we have been interviewing potential partners from outside the firm and planning internal promotions. Implementing that plan will see us double our fee base within the next two years through the expansion of business advisory services, audit and taxation. The introduction of new services, such as financial organization and Micro-lab computer consulting over the past few months are examples of this new direction"(Anon, *NZ Herald*, 1986).

However, it soon became clear that such plans were unattainable. The loss of KMG affiliation as well as the departure of the six partners to Price Waterhouse meant recruitment became extremely difficult. The remaining partners in KMG Kendons (Auckland) were identified by Coopers & Lybrand as possible target candidates for a merger. Coopers & Lybrand had followed a strategy of mass mergers internationally in order to gain market leadership in respect of both geographical coverage and service range. A proposal was put through to and approved in late 1986. The merger was "totally harmonious" (comment from a partner from KMG Kendons Auckland). All remaining partners but one from Auckland and Takapuna offices moved to Coopers & Lybrand: five became partners and the other six became full-time consultants.

The departure of the Wellington office

In the Wellington office, dissatisfaction stirred as soon as they observed the progress of KPMG merger worldwide. However, they did not want to be 'taken over' by Peats, and looked to merge with another accounting firm that was a branch or an agent of an international firm. Kirk Barclay, representing the UK-based Spicer and Pegler accounting firm, appealed to KMG Kendons (Wellington) firstly in this respect. With further talks, the two firms found additional advantages to the merger. This was a merger of equals: both firms had six partners in Wellington and both "had something to gain and also something to offer" (Comment from a partner from KMG Kendons in Wellington). Consequently, these partners took a decision to leave Wellington KMG Kendons in 1985 and moved into the premises of Kirk Barclay. The name of the firm was changed to Spicer & Oppenheim in 1988 when Spicer & Pegler merged with the US-based Oppenheim, Appel, Dixon & Co.

The aftermath (1988 onwards)

The departure of the Wellington office came as a surprise to the Lower Hutt, Otaki, and Levin offices, all of which used to be controlled and owned by the Wellington office in the days of J. L. Arcus. However, the Wellington office philosophies and these offices had always been different, and the Wellington office's departure was the opportunity for the remaining offices to take over some clients and audits. The Lower Hutt office took over the Philips audit for another three years (1986 -1988) and then returned the audit to KPMG. This also fitted the changing strategy of the Lower Hutt office, as they had decided to leave the audit market in order to concentrate on business services.

For the other KMG Kendons offices, subsequent to the loss of KMG affiliation, there were similar feelings that they were ‘left on their own’. Neither was there any value in attaching themselves to a national firm anymore. However, some still valued an international connection. The New Plymouth office joined the Price Waterhouse office in the same city. The Invercargill office, one of the strongest offices of KMG Kendons, was taken into Peats. The Lower Hutt office (KMG Kendons) and the Christchurch office (Kendons Canterbury) retained the name in their title but reverted to being local practices. In 1988 Otaki joined the Levin office, and the practice continued practice under the name of Otaki Kendons. The remaining partners of the national firm either retired or left the firm and started sole practices.

Therefore, from a national firm with 60 partners and 12 branches in 1985, three years later in 1988 KMG Kendons was reduced to three small local practices with approximately 11 partners. A national firm no longer existed. In total, Price Waterhouse had taken six partners from Auckland and two from the New Plymouth office; Peats accepted sixteen partners, including one from the Dunedin office, four from Hamilton, and eleven from the Gore, Invercargill and Queenstown offices. Coopers & Lybrand took in eleven partners from the Auckland office in 1986.

During 1985-1988, as the international accounting firm environment was changing and KMG Kendons was disintegrating, its KMG partners at the various nationwide offices searched for partnerships that provided the institutions or norms fitting their aspirations. The next section provides further analysis of various deinstitutionalization forces that resulted in the demise of KMG Kendons.

The evidence of the processes of deinstitutionalization: the partners speak

This section offers the views of those involved in this process, in addition to those already cited in section six. Their commentary is organised in the twelve pressures identified by Oliver, but categorised depending on whether these were seen as High – Medium – Low (Table 2). These rankings were decided by two of the research team, both of whom had extensive familiarity with the narratives from the KMG Kendon partners. There is necessarily some overlap, but utilisation of Oliver's categories clearly demonstrates those areas where the highest pressures developed.

Table 2: Deinstitutionalisation pressures in Kendons Cox

Level of Analysis	*Political Pressure*		*Functional Pressure*		*Social Pressure*	
Organisational (Endogenous)	Mounting performance crisis:	M	Changing economic utility	M-H	Increasing social fragmentation	H
	Conflicting internal interests	L	Increasing technical specifity	L	Decreasing historical continuity	L
Environment (Exogenous)	Increasing innovation pressures	L	Increasing competition for resources	M	Changing institutional rules and values	H
	Changing external dependencies	H	Emergency evaluation and data	M	Increasing structured disaggregation	H

The highest pressures (Dark Grey Boxes above in Table 2) were predominately a result of social pressures with one political and functional influence, as follows.

Changing external dependencies

KMG Kendons external dependencies changed.

> "You had to have a name that everybody recognised to be credible. I had one good audit which was a private company, locally owned, and somebody stirred up the Board and said 'Why aren't we with the Big 8?' At that time we were part of KMG, which made it the Big 9, and on worldwide rankings KMG came about fourth. So that went back to the Board and they were satisfied. It didn't make any difference. But the razzle-dazzle of the Big 8, just mesmerised people."

> “We had been through a number of quality control assessments, and had got to the point where they had been happy to refer the Philips audit to us in New Zealand, and that was a major achievement in terms of our professional development, and in terms of the grooming of the relationship. However, I think we only ever had one cycle of that before the Klynveld Main Goerdeler got together with Peat Marwicks to form the international firm, and it slipped through our fingers”.

Changing institutional rules and values

Institutional rules and values also altered over the study period.

(a) Going against the partnership ethos of equal meritocracy and loyalty:

> “They would have quite liked all the work, but they didn’t want all the partners, and there was a somewhat different philosophy...The different kind of client base, I think Peats was probably much more the large corporate type client base. The management of the practice was run internationally whereas the Kendons practices were all run completely locally and autonomous in a local sense.”

> “I think the only negative I can see in some of the ways profits have been split is that possibly overloaded, or partners that appear to be overloaded, in terms of their fee base, have been reluctant to maybe release fees to partners who aren’t in that position; and they’ve held onto them because they know it’s going to generate maybe a bit more profit at year end rather than spread it around”.

(b) Professional body rules regarding independence

> “The issue is professional objectivity and closeness to the client. The interesting thing about the Enrons of this world is that that particular issue, even in an enormous organisation and highly developed one like Arthur Andersen, was their Achille’s heel: that apparently somebody was too close to the client, and that certainly was an issue that was very much on my mind with the way our audit practice worked right back into the seventies and eighties. That you tended to have longstanding relationships with people who may have been clients of the firm for a long time, and there was a tendency for the auditor, as a result of that, to sometimes find themselves on the wrong side of the line”.

> “Independence wasn’t an issue 20 years ago, 25 years ago. I mean it wasn’t such an issue as it is now, I don’t think. If you think back, I’m sure if you talk to the accountants who are in the seventies-plus age group, even a bit younger than that maybe, I would suspect you would find that it was accepted practice to invest in clients, as an accountant, in some respects”.

An increasingly structured disaggregation

This disaggregation had not been apparent before the KPMG merger, but surfaced strongly after the loss of the KMG brand; this was epiphenomenal to changing external dependencies i.e., at the time Peats intervened and around the time of talks with Price Waterhouse.

> "First of all the whole Auckland office was going to go, and that was turned round. At the last minute. I suppose some of us were also, I was going to say cunning, that's not fair, but some of us were astute. We wrote letters of condolences... and that I would not be the only one who'd still be keen to keep talking... I had a lot of meetings in bloody cars outside the railway station or whatever, because it had to be done, it had to be done."

> "We've probably unravelled as a national firm considerably earlier than everyone else as well.....Once you come to a peak, I mean firms are like individuals, they reach a maturity and then they start to decline. It started to unravel when the income distribution process changed. Then you got an A team and a B team emerging".

> "That was only made so because of the bitterness of the late turn - around vote. I mean, I've always said, look, I prefer to be open, transparent and honest. But if you have to be, because of business circumstances, a bit cunning, then sometimes you've got to do it"

Increasing social fragmentation

Cox Arcus was more traditional, hierarchical, and some saw it as 'stagnant'. Kendons Mills appeared to have generally younger partners, and a more open/different culture. This cultural tension resulted in social fragmentation.

> "Operationally there were some difficulties. Because the Cox Arcus philosophy and approach was a bit different from ours. There were faults and good things on both sides...It was too early after the merger, to say. I mean, a lot of things take ten or twelve years to change a culture, or what becomes your own culture after a merger, where there was two sort of equal sides".

> "The younger partners in Kendons were more of a small, close team, possibly because of their age - than the rest of us [in Cox Arcus] who had been a result of a merger anyhow".

> "The firm in Auckland had gone through a merger: Cox Elliffe Twomey & Highet had merged with Kendon Mills Muldoon & Browne - about 1980 - and when the firm split up the part that went to Coopers & Lybrand was the part that had formerly been Cox Elliffe Twomey & Highet…[the] firm seemed to operate in a pretty cohesive way. But when I think the group which revolved around the insolvency team, formed an alliance and decided to go to Price Waterhouse, then the rest of the

> firm had to find somewhere to go and they went to Coopers, on the strength of the Fisher & Paykel audit".

Other pressures for deinstitutionalisation were not so strong and these have been classified as medium-high (7.5) or medium (7.6- 7.8) and are the Light Grey Boxes above in Table 2.

Changing economic utility

The economic or competitive environment that KMG Kendons faced influenced managerial decisions.

> "[The Cox Arcus merger] was driven by the same criteria as the later merger with Kendons, which was the need to service a growing audit base, and to get the referrals that they all perceived were necessary in an audit situation. Because at that time it was the start of the mergers of the Price Waterhouses, and the other firms within New Zealand, making bigger firms to service audit".

This suggests that the driver to the merger was to service big audits, but as shortly afterwards the big audits were no longer there; there was no need for a national firm.

> "As it appears to happen worldwide now, the auditing seems to have been the lower of the incomes. But it certainly in our day was the anchor of the big firms. That's where their regular income came from... [Audit] was definitely the anchor, and has always been the anchor. Because they're fed monthly and it pays regularly... the aim with the bigger audits, was to have a regular cash flow, and then you had the wash-up at the end of the year when you argued your fees with management, settled what the total, final charge was".

> "The referred work nationally came and went over the years, but in the period when Kendon Cox & Co was at its best, and I guess that's probably from the late seventies to the mid-eighties, there was a fair amount of national work that was, as opposed to international work, that was referred up and down the country. Auckland, Wellington and Christchurch all had work that needed to be done outside their own centres".

The following are other pressures of medium intensity.

Mounting performance crisis

The changing exogenous environment had an impact on partnership performance.

> "[Kendons] frustration was that they could not get the new clients. They were trying to grow the practice and were clinging against the wall unsuccessfully because they didn't have the connections, they weren't perceived to be a major firm; and major firms were seen as being able to deliver value over a wide range of areas".

> "Some offices are significantly more profitable than others. It normally goes on a north to south pattern. Although that said, occasionally there's an office in the South Island that's very profitable. But I think basically profitability, and of course management does come into it, but I think basically profitability is a function of the local economy, and the offices in the areas that have had prosperous and growing economies have always been more profitable than the rest".

Increasing competition for resources

Associated with these performance concerns was the competition for resources.

> "Why do they have to form these affiliations in the first place? One of the perceptions was that you're not going to get any audit work if you don't; because you can have a nice stable of audit clients, and you do your job very well, and one by one, somebody - because the parent is in London or New York - somebody in Chicago writes you a letter saying '...we have been approached', which is not strictly true, and, the audit's gone; and the general manager apologises personally and off he goes. That is quite galling, and so our firm, under its various labels, tended at times to work on the type of client that you can't have stolen".

> "Even a practice this size, the second tier type market, you know even our charge-out rates are a challenge now to the small business people. It's a continuing battle".

> "And remember they had had Muldoon there too,… he was never a sharing financial partner of [the merged] Kendons. He was a partner from the international name point-of-view. To give us strength, and that was really one of the attractions of Kendons to get us KMG; because that they had Muldoon".

Emergency Evaluation and data

Nonetheless, KMG Kendon's performance was called into question.

> "The point came when we were having peer reviews within the country, and then of course later on, international peer reviews. They were the real drivers in terms of sharpening the whole thing up, and becoming systematic and scientific".

> "It was when all that was happening, we were talking to PriceWaterhouse, and the talks fell over, and six of the younger guys decided they wanted to go, anyway; and we were going to be left as, well, Kendons, I don't know what we would have called ourselves, just Kendons probably, as a local practice."

> "Jim Douglas from Sydney: he was the first wake-up call. He came and did a review and issued quite a scathing report, and on the basis of that, the whole of audit techniques were pretty well overhauled…it would have been around about 1980".

> "Q: Peats could have picked up all of Kendons? A: They could have merged the whole lot. But what they didn't want was the separate offices, and they didn't want all the partners. They would have quite liked all the work, but they didn't want all the partners, and there was a somewhat different philosophy".

Other pressures (as outlined below) appeared to have little or no impact and are classified as Low or Nil pressure.

Little evidence of conflicting internal interests

The period studied indicates that there was little conflict of interests in KMG Kendons (as distinct from social fragmentation after the lost of the KMG affiliation).

> "Like-mindedness is also important. In the Wellington branch, all partners all shared the perception of the trade-off between too many hours and life-style. As a result, there were not much differences in terms of hours worked and thus equal profit-sharing is not an issue for hostility or dissent. In Kendons Mills [Auckland], there was equal sharing, but the method was not scientific"
>
> … "we had developed our own culture and our own way of dealing with things, from those early values; and also from the national enterprise that we had, and the peer reviews from offshore, and that kind of thing. So I think that we were sort of pretty mainstream professional in terms of the way you would see a multi-disciplinary firm developing. Not a very big one, but we certainly were multi-disciplinary. We didn't all do everything. We did have streaming of specialities and that kind of thing".

Little evidence of increasing innovation pressures

Further, there was little evidence of pressure to be more innovative, with substantial evidence to the contrary.

> "Because they [KMG] were good at teaching auditing and generating audit techniques and keeping you up to date, and we gobbled that up. Without it we might have drifted off into being fifteen years out of date eventually".
>
> "The culture within Kendons Cox & Co does not change much since the late sixties to eighties, because the same group of people were moving together. It evolved, however, with technological advances. It developed as a multi-disciplinary firm, with different people specialising in different areas…..Relaxed and friendly".

Decreasing historical continuity

Because there was no one founding firm as such for the national firm (they were a collection of individual firms), historic continuity could have been a key issue in the survival and dissolution of Kendons Cox, but it did not surface as a key pressure to deinstitutionalization.

> "I can talk about the culture of the Wellington [office]. I think it evolved from the backgrounds of the individual offices, and the generational aspect, how old the firms

> were, and so the culture within Kendon Cox & Co was very measured and never changed very much, because basically the same group of people were moving. There was evolution, but the values of the partners who were there when I joined in 1964 more or less carried through right on until the mid-eighties".

Pressure from increasing technical specificity

This was not mentioned by partners, but it was apparent when the narratives from partners in other Big 8 firms were compared with those from Kendon Cox, there was overall less interest in technical expertise and the demands, as new accounting regulations and standards were introduced. As the shift moved from the large audits to the Small and Medium Entity type of service delivery, technical excellence appeared of lesser importance. Maintaining technical excellence might have made the staff in some offices more attractive to Peats at the times of the Peats/KMG merger. That is why the apparent absence of commentary in this area might counter-indicate it was, nevertheless, a pressure point.

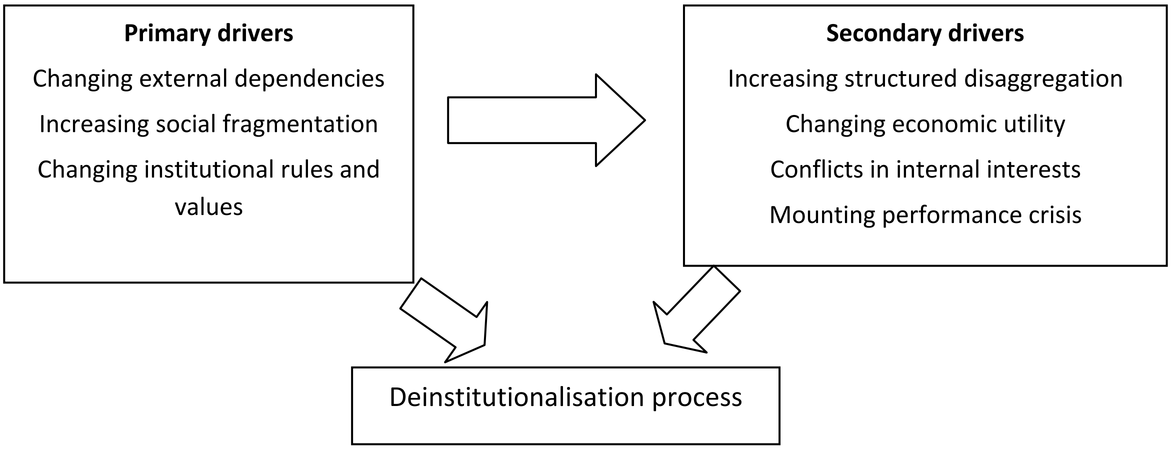
Discussion

This study had two objectives: i) to identify deinstitutionalisation pressures and their consequences on professional partnerships, and ii) to suggest ways to reverse such consequences. From the narratives and the analysis presented in Section 7, a summary of the deinstitutionalisation pressures were identified and ranked according to the intensity of the pressures.

Thus one innovation in this study is that it offers an extension of Oliver's (1992) categories based on rankings of the twelve pressures; given this is subjective, and not all pressures will be of equal intensity. The categorisation is necessarily subjective, based on the understanding gained by two members of the research team from the extensive narratives of the partner experiences. The ranking uses a simple category of either low, medium, or high, and is determined based on the level of evidence available in relation to the existence of a particular deinstitutionalisation pressure and the degree of impact exerted on the organisation.

Using this ranking scheme, it was found that these pressures varied in their significance and their impacts on the case study firm. The potential capacity of researchers to extend Oliver's system by attaching a ranking depends very heavily on the data available. It is possible that, in future, NVivo or a similar textual analysis tool will offer a more robust validation of the High-Med-Low categories from a given set of data. But assigning a ranking value to each pressure, we determined how a cluster of particular pressures drove the processes of deinstitutionalization (Figure 1).

Figure 1: Primary drivers and secondary drivers of Kendons' deinstitutionalisation



It is of note that the strongest pressures in this case study were social pressures (structured disaggregation, social fragmentation, and changing institutional rules and values). Furthermore it appeared, from detailed narrative reflection, that these pressures are not independent of each other but instead inter-related and interactional. Further, of the five pressures that contributed most strongly towards the dissolution of KMG Kendons, two belonged to the internal environment and three belonged to the external environment. Internal environmental pressures included: changing economic utility and social fragmentation. Three external environmental pressures were structured disaggregation, changing external dependencies and changing institutional rules and values. There are strong interactions between external and internal deinstitutionalization pressures and it was their combined impact that potentially brought about KMG Kendon's demise.

The primary exogenous or external pressures derived solely from the Transatlantic mergers. Similar pressures have been observed in mergers of Arthur Young/Ernst and Whinney, and Deloitte Haskin Sells with Touche Ross. The transatlantic merger between Peats and KMG, an external structured disaggregation, precipitated the changes in KMG Kendons external dependencies (power being shifted from KMG to Peats). Furthermore, it was due to the KPMG merger that KMG Kendons firms lost most of the overseas referral work, but gaining that affiliation had been the driver for them to form a national firm in the first place. Therefore, as a result of changing external dependencies, the economic utility of being a national firm decreased significantly, leading to the local offices 'going their own way'. This disintegration also indicates that increasing competition for resources contributed to changes in economic utility perceived by KMG Kendons and its various local firms.

Within being overly focussed on one particular office, it has to be noted that the departure of the members of the Auckland office triggered secondary endogenous deinstitutionalization pressures: internal conflicts and social fragmentation. But these were epiphenomenal to the Transatlantic merger driver. Internal conflicts did not appear to be an issue before KPMG merger, but surfaced during the Auckland partners' merger talks with Price Waterhouse. Internal social fragmentation, which originated from the different histories of Kendons and Cox Arcus, surfaced as structured disaggregation progressed.

In addition to the impact of external deinstitutionalization pressures creating internal deinstitutionalisation pressures, there are interactions and reinforcements among the internal pressures. Lack of historically originated social integration empowered internal conflict when partners faced exogenous pressures: the division between the younger and the older partners' groups in Auckland regarding the Price Waterhouse merger had originated from cultural and generational differences between the Kendons and Cox Arcus partners. Additionally, mounting performance crisis (no new clients and loss of large audits) triggered changes in economic utility: the local offices reverted to institutional values of small business practices relying only on local clients. These are additional insights that cannot be directly derived from Oliver's framework. The primary value of Oliver's framework in this study lies in listing the potential external and internal factors of deinstitutionalisation, but not the interactions between them.

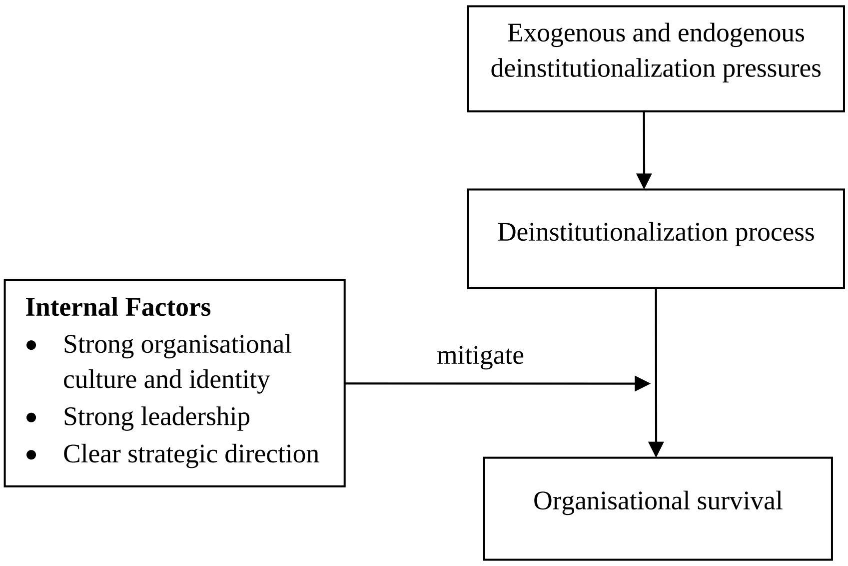
How do other partnerships survive these pressures from exogenous events? It was recognised in the partner narratives that there was strong leadership in other large firms at the time of the Transatlantic mergers. One person took charge. Some did not like it at all, and all did not like it in part; the person was more often than not seen as too harsh, undermining partnership values and norms i.e. a force of deinstitutionalization. However, those who survived the cuts in partner numbers generally perceived strong leadership as essential to the firm's continued existence.

When Kendons was pressured from exogenous events, stronger socialization and networking mechanisms could have been implemented to reinforce such values and beliefs, and to develop a loyalty to the national firm. Furthermore, as a national firm, there had been, no doubt, many opportunities to develop common values and beliefs across offices, to mitigate any 'cultural' differences between partners from Kendons and those from Cox Arcus. Instead, with the loss of the KMG brand and instability threatening, some underlying cultural differences were allowed to continue unchallenged, which promoted internal conflicts and led to the loss of all the Auckland office. Diminished unified values and decreasing loyalty to partners (other than the local office) caused geographically distant offices and partners to attend to their self interests and go different ways.

It can be argued that with strong leadership and a clear strategic direction, the firm might have been able to survive even without an international brand and with the loss of large company audits. With strong leadership, the firm would have been able to find a consistent nation-wide solution to cope with the intervention of Peats rather than leaving separate offices to find their own way. With a clear strategic direction, Kendons could have utilised its resources better so as to develop further internal capabilities and strengths i.e. gaining a sustained competitive advantage. For example, KMG Kendons could have made more use of the KMG affiliation for staff training and development, or technology transfer, so as to increase the quality of human resources and audit/services practices; the international opportunities for training were much more widely used in other partnerships. With an agreed competitive strategy underlined by sustained and sufficient internal resources and capabilities, the firm would have been able to reverse some of the pressures to deinstitutionalization such as changing economic utility and social fragmentation.

Furthermore, with a strong strategic direction, the firm's management could have implemented measures to enhance quality assurance and performance standards across different offices. These would enable Kendons to be perceived as a 'major player' and compete effectively to gain and retain larger audits. Being a major firm and being able to gain audits based on their own internal capabilities, the firm would rely less on international affiliation for overseas referral work and thus avoiding a performance crisis. Canadian firms had shown a persistent pattern of some national firms retaining a large share of the audit market in the face of 'invasion' of Big 4 names (Richardson, 2001). Strong leadership and clear strategic direction might have also permitted the firm to gain affiliation with other firms such as Andersens when their connection with KMG was terminated. The relationship between internal factors and the mitigation of the deinstitutionalization process is depicted in Figure 2.

Figure 2: Internal factors and organisational survival



Conclusion

The first question of this study relates to what happens in professional partnerships when confronting forces of deinstitutionalization. The findings demonstrate that Oliver's (1992) framework is valuable in identifying the deinstitutionalisation pressures and facilitating an analysis of how such pressures influenced organisational processes and practices, and ultimately survival or dissolution. Overall, it can be argued that the deinstitutionalisation and demise of KMG Kendons as a national firm was driven by exogenous pressures but exacerbated by the lack of internal capabilities and integration to cope with these environmental pressures.

It has been also suggested that the value of Oliver's (1992) framework can be enhanced if it is extended to allow a ranking of the degree of significance of the diverse pressures. Thus, it identifies the degree of impact of each pressure on an organisation with explicit recognition of the inter-relationships in the deinstitutionalisation process.

The second question of this study is what could be done instead to reverse such deinstitutionalisation processes and thus ensure organisational survival. This is a question which can be partly answered by using Oliver's framework in order to identify and then reverse key pressures. But there is an absence in Oliver's framework of the nexus between leadership and strategic direction, and their roles in mitigating the impact of external deinstitutionalisation pressures on internal stability.

Overall, this study argues that strong leadership, strategic direction, and a strong organisational culture and identity (a coherent set of organisational values/institutions, and identity) are critical factors in organisational development and survival (Figure 2). They enable organisations to cope with changing exogenous environments and mitigate the impact of deinstitutionalisation pressures on organisations' internal processes and practices. Leadership, strategic direction, and a strong organisational culture and identity could also prevent, and reduce the impact of, endogenous deinstitutionalisation factors such as mounting performance crisis, social fragmentation and conflicts in internal interests. This study suggests Oliver's framework can be usefully considered in conjunction with these factors, and thus help researchers in examining not only the deinstitutionalisation processes, but also how internal factors could have reversed this process, thus decreasing the dramatic consequences for organisational survival.

References

Anon, *NZ Herald*, 1986

Balme, A., and Van Peursem, K. (2009), "Institutional Pragmatism and the New Zealand Serious Fraud Office: messages in the Media", *AFAANZ Conference*, Adelaide, 5-7 July 2009.

Baskerville, R. F. and Hay D. (2006), "The effect of accounting firm mergers on the market for audit services: New Zealand evidence" *Abacus* Vol. 42, No. 1, pp. 87-104

Baskerville, R. F. and Hay D. (2007a), "The concealed problems for accounting labour in global professional network initiatives", *Asia Pacific Interdisciplinary Research in Accounting* Conference, Auckland, July 2007.

Baskerville, R. F. and Hay D. (2007b), "Globalization of professional accounting: the Big 8 entering New Zealand" Working Paper 06/06, School of Business and Economics, Department of Accounting and Finance, University of Exeter.

Baskerville, R. F. and Hay, D. (forthcoming), "The impact of globalization on professional accounting firms: evidence from New Zealand" *Accounting History*, *in press*

Baskerville, R. F. and McMeeking, K. (2009), "Rugged landscapes: K and N values for Big 4 and mid-tier professional firms in the UK', *American Accounting Association* Conference, New York, August 2009, and the *British Accounting Association* Conference, April 2009.

Baskerville, R. F. and Keeper, T. (2007), "Robert Muldoon, Accountant, Prime Minister" The Fifth *Accounting History* International Conference, Banff, August 2007.

Baskerville, R. F. (2006), "A Very Private Matter: anti-nepotism rules in accounting partnerships" *Oral History in New Zealand* Vol. 18, pp. 13-17,

Baskerville-Morley, R. F. (2006), "From Local to Global: Auckland Accounting Partnerships", pp. 220–231 in *City of Enterprise: Perspectives on Auckland Business History*, Eds: Ian Hunter and Diana Morrow, Auckland: Auckland University Press.

Bui, B. (2007), "Mergers, International Affiliations and the Rise and Fall of a National Firm: Kendon Cox & Co 1908- 1988" Working Paper No. 50, Working Paper Series, Centre for Accounting, Governance and Taxation Research, Victoria University of Wellington, New Zealand.

Cooper, D. J. and Robson, K. (2009), "Practitioners, work and firms", in *The Routledge Companion to Accounting History*, Eds.: J. R. Edwards and S. P. Walker, London: Routledge, pp. 274-296.

Dacin, M. T., Goodstein, J. and Scott, W. R. (2002), "Institutional Theory and Institutional Change - Introduction to Special Research Forum", *Academy of Management Journal*, Vol. 45, No. 1, pp. 45-56.

Dillard, J., Rigsby, J. T. and Goodman, C. (2004), "The Making and Remaking of Organizational Context – Duality and the Institutionalization Process", *Accounting, Auditing and Accountability Journal*, Vol. 17, No. 4, pp. 506-542.

Faulconbridge, J. R. (2008), "Organizational Professionalism in Global Law Firms", *Work, Employment and Society*, Vol. 22, No. 1, pp. 7-25.

Fleischman, R. K., Mills, P. A. and Tyson, T. N. (1996), “A Theoretical Primer for Evaluating and Conducting Historical Research in Accounting,” *Accounting History*, Vol. 1, No. 1, pp. 55-75.

Geertz, C. (1971), *Islam Observed: religious Development in Morocco and Indonesia*, Chicago: University of Chicago press.

Greenwood, R. and Hinings, C. R. (1996), “Understanding radical organizational change: Bringing together the old and the new institutionalism,” *Academy of Management Review*, Vol. 21, No. 4, pp. 1022-1054.

Greenwood, R. Suddaby, R. and Hinning, C. R. (2002), “Theorizing change: The role of professional associations in the transformation of institutionalized fields,” *Academy of Management Journal*, Vol. 45, pp. 58-80.

Greenwood, R., and Suddaby, R. (2006), “Institutional entrepreneurship in mature fields: The big five accounting firms”, *Academy of Management Journal*, Vol. 49, No. 1, pp. 27-48.

Greve, H. R. (1995), “Jumping ship: the diffusion of strategy abandonment”, *Administrative Science Quarterly*, Vol. 40, pp. 444-473.

Henisz, W. J., Holburn, G. L. F. and Zelner, B. A. (2005), “Deinstitutionalization and institutional replacement: State-centered and neo-liberal models in the global electricity supply industry”, World Bank Policy Research Working Paper No. 3690 from SSRN: http://ssm. com/abstract=801446.

Jepperson, R. L. (1991), “Institutions, Institutional Effects, and Institutionalism”, in *The New Institutionalism in Organizational Analysis*, pp. 143-163, Eds: W. W. Powell and P. J. DiMaggio, Chicago: The University of Chicago Press.

Jones, E. (1981), *Accountancy and the British Economy 1840–1980: The Evolution of Ernst and Whinney*, London: B.T. Batsford Ltd.

Joseph, A. E and Kearns, R. A. (1996), “Deinstitutionalization meets restructuring: the closure of a psychiatric hospital in New Zealand”, *Health and Place*, Vol. 2, No. 3 pp. 179-189.

Kostova, T., Roth, K., and Dacin, M. T. (2008), “Institutional theory in the study of multinational corporations: A critique and new directions”, *The Academy of Management Review*, Vol. 33, No. 4, pp. 994-1005.

Lounsbury, M. (2007), “Institutional rationality and practice variation: New directions in the institutional analysis of practice”, *Accounting, Organizations and Society*, Vol. 33, pp. 349-361.

Maguire, S. and Hardy, C. (2009), “Discourse and deinstitutionalization: The decline of DDT”, *Academy of Management Journal*, Vol. 52, No. 1, pp. 148-178.

Martin, K. D., Johnson, J. L. and Cullen, J. B. (2009), “Organizational change, normative control, deinstitutionalization, and corruption”, *Business Ethics Quarterly*, Vol. 19, No. 1, pp. 105-130.

Meyer, J. W. and Rowan, B. (1983), “The Structure of Educational Organizations”, pp. 71-97, in *Organizational Environments: Ritual and Rationality*, Eds: J. W. Meyer and W. R. Scott, California: Sage Publications.

Oliver, C. (1992), “The antecedents of deinstitutionalization”, *Organization Studies*, Vol. 13, No. 4, pp. 563-588.

Richardson, A. J. (2001), "The Canadian Audit Market in the First Half of the Twentieth Century", *The Accounting Historians Journal*, Vol. 28, No. 2, pp. 109-140.

Scott, W. R. (2001), *Institutions and Organizations*, 2nd Ed., California: Sage Publications.

Seal, W. (2003), "Modernity, modernization and the deinstitutionalization of incremental budgeting in local Government", *Financial Accountability and Management*, Vol. 19, No. 2, pp. 93-116.

Suddaby, R., Cooper, D. J. and Greenwood, R. (2007), "Transnational regulation of professional services: governance dynamics of field level organizational change", *Accounting, Organizations and Society*, Vol. 32, No. 3/4, pp. 333-362.

Tolbert, P. S. and Sine, W. D. (1999), "Determinants of organizational compliance with institutional pressures: the employment of non-tenure-track faculty in institutions of higher education", Annual meeting of the *Academy of Management*, Chicago 1999.

Tosh, J. (1991), *The Pursuit of History*, 2nd Ed., London: Longman.

Winsbury, R. (1977), *Thomson McLintock & Co – The First Hundred Years.* London: Seeley & Co for Thomson McLintock & Co

Yin, R. K. (1994), *Case Study Research Design and Methods*, 2nd Ed., California: Sage Publications.

Zilber, T. (2002), "Institutionalization as an interplay between actions, meanings, and actors: The case of a rape crisis center in Israel", *Academy of Management Journal*, Vol. 45, pp. 234-54.

Notes:

---

[i] Section 5 of this paper is derived from Bui, 2007.

[ii] Price Waterhouse in New Zealand was both financially and operationally controlled by the Price Waterhouse office in Australia