

## **A Very Private Matter: anti-nepotism rules in accounting partnerships**

Rachel F Baskerville,

2006

To be published in *Oral History in New Zealand*

### Abstract:

The objective of this study is to review the manner in which oral histories address the ‘problem’ of memory, and to use an example from a 2002 oral history project concerning accounting partnerships in New Zealand to illustrate aspects of this problem. Many of the interviewees in 2002 recalled anti-nepotism clauses in accounting partnership deeds and acknowledged these clauses had been triggered by an event. There was a diversity of recollection as to the detail of this event, and various rationales, justifications, or explanations were provided. Together, these suggested anti-nepotism clauses retained considerable traction in partnership deeds without a shared understanding of their cause. This led to the question: why should the memory of a significant event be lacking when the consequences of the event remained structurally embedded? It is suggested that the traction of such anti-nepotism rules continue, because the underlying principle resonates with archetypal partnership codes.

*“His mind had not preserved memories like fossils forever embedded in their original form, inanimately awaiting excavation; on the contrary, the very act of revisiting these sites had sufficed to scatter these ‘artifacts’ into more recent layers of living memory and imagination, thereby transforming them”<sup>i</sup>.*

## **Introduction**

Schoolcraft calls this transformation a ‘mutilated reality’ and yet these memories provide frames of memory which work together in the construction of self. In a profession, these frames assist individuals to make sense of the profession and its values. One objective of this study is to review the manner in which oral histories address the ‘problem’ of memory. Early on in the development of the discipline of oral history there were some particularly insightful reviews and commentaries on this issue (such as Portelli, 1981<sup>ii</sup>), which may have calmed some of the more vociferous opponents of oral histories as data. Yet accuracy in recollections still presents a challenge in oral history analysis.

In reviewing the manner in which memory functions, Schoolcraft<sup>iii</sup> reminds us that in utilising memories of the ‘Occupation’ years during periods of war; meetings, names and chronology took an importance that they would not otherwise have initially possessed. The passing of time did not relax the grip and recall of these memories. In addition, makeshift situations experienced at these times destabilise the memory or disrupted processes. At such time, the memory loses its ‘fixed backdrop’, and compared with other more stable periods, recall is increased.

Given the context of the moment of recall, and the selective processes of remembering, those undertaking oral histories have to consider how to address such an issue. A major contribution can be found in Thompson’s (1978) chapter on “Evidence”<sup>iv</sup> in which he highlights the special value interviews possess, as subjective spoken testimony. It is inevitable that different individuals recall different perspectives from a shared or widely communicated event, as will be demonstrated in this discussion of anti-nepotism rules in accounting partnerships. More ‘traditional’ historical resources such as newspapers, correspondence, Minutes of Cabinet meetings or Parish Councils, diaries, or even census data and Registers, have been subject to assessment in respect of their claimed objectivity or soundness, with many biases or selectivity being apparent.

The consensus developed by oral historians as to the means of achieving a sufficiently rigorous analysis of the interview data is that there must be consistency in multiple recollections of key events. In the example provided in this paper there was a diversity of recollection as to a particular event. Knowledge of this event gave rise to anti-nepotism rules in some accounting partnerships. The evolution of anti-nepotism clauses appears to have led to a sustained acceptance of the ‘rightness’ of such principles, while there was only sparse recall of a possible originating event. Accordingly this case tests the principle of only using data where there is inter-participant consistency. Furthermore, the smoothness of a life-long career in an accounting partnership, and the homogeneity of such organisations in this jurisdiction, provided a stable framing to the idea of anti-nepotism rules.

This led the researcher to question: why should the memory of a significant event be lacking when the consequences of the event remains structurally embedded? By reviewing recollections of the reasons for anti-nepotism clauses in partnerships, an attempt is made to engage this question. The significance of this research is that it informs our appreciation of the importance of contextual understanding. This paper therefore outlines the research processes, before reviewing different stories of the event and its consequences, and the way in which the ‘event’ informs current professional accounting partnerships.

### **The Unexpectedness of it**

*“Narratives can be powerful tool for opening up new areas of inquiry in stabilized and well established fields of knowledge...new complementary lines of research may be opened”<sup>v</sup>.*

Unexpected outcomes from narratives are of significant value in an oral history. Data for this study was derived from a larger project, for which the research question can be broadly stated as “why did the survivors survive: reasons for the differential survival of large accounting firms from the Big 8<sup>vi</sup> of the 1980s.” The interviewees were respondents to a survey of members of the Institute of Chartered Accountants of New Zealand who had been partners in major audit firms between 1982 and 1992, and who had agreed to be interviewed. Mostly retired partners were selected because it was believed they would talk more freely about their experiences. All of New Zealand’s large firms were represented, and participants were from both urban and rural practices throughout the country. The objective of the interviews was to discuss and review the reasons for the survival of the remnant Big 4 firms<sup>vii</sup>, and to discuss factors that had contributed to the collapse of other large firms in New Zealand in the 1980s.

The interviews were conducted in 2002, and nearly all<sup>viii</sup> tapes have been deposited in the National Oral History Archives. These interviews were unstructured, but they all covered similar topics: individual work histories, audit practice, income allocation, international affiliations, and particular firm histories. Although the interviews provided valuable insights into the original research questions — in particular, the income allocation issue and individual firm histories — there were some unexpected revelations during the interviews. There was confusion concerning distinctive characteristics between the Big 8, and answers concerning the underlying significance of the audit business were divergent (was it primarily to provide a 'backbone' of steady cash flows throughout the annual cycle, or bringing in associated accounting activities). A survey prior to the interviews had shown there was widespread concern at the problem of inequitable partnership income allocation. But it was the unexpected revelation of the existence of anti-nepotism rules halfway through the interviews which prompted this study.

How can Oral Histories evaluate such evidence? As noted by Peneff, to achieve a reading of the events with as much representational faithfulness as possible,

“you have to know how to pick out by experience or intuition the spheres where the narrator will show him or herself to be a good source, and where the facts will be fudged; both dispositions can be combined in the same individual, since detachment, a sense of objectivity, and an aptitude for realism or perception can coexist with blindness to what is portrayed, a wish to pass over critical moments of existence, or a tendency to systematic misrepresentation”<sup>ix</sup>.

But conversely, oral historians cannot be all-knowing, and Tonkin warns: “Historians who use the recollections of others cannot just scan them for useful facts to pick out, like currants from a cake. Any such facts are so embedded in the representation that it directs an interpretation of them, and its very ordering, its plotting, and its metaphors bear meaning too”<sup>x</sup>.

All records of accounting arrangements depend on the experience of the teller and the recorder for both the construction and interpretation of the events. Chiefly, oral history rules require that the histories have internal consistencies, and seek confirmation in other sources, whilst being aware of potential bias of both the narrator and interviewer. Could these rules be applied in examining this topic of anti-nepotism?

With anti-nepotism rules, their somewhat unusual characteristic may have been submerged by ‘normality’ and the consensus nature shown by senior partners in mentoring the new partner into the organisation. The other characteristic of these organisations was that in many cases there was

only a 'token' deed of partnership and new entrants were not expected to request a copy for inspection

“[Q: Did you ever find [anti-nepotism clauses] in partnership deeds?] No. Those days we rarely had deeds. It was all verbal agreements. In fact, it was only much later in the Cook & Company ... that we ever had a deed, or a partnership agreement. It was all very much a handshake-type arrangement, or the common thing that they'd say, 'on the back of a cigarette packet'.”

“[The senior partner] called me in and he said “Tom, delighted to see you, sit down. We had a meeting yesterday and decided to make you a partner from January,” this was November, I think it was. I said “Thank you”, he said, “Congratulations, and, you know, see me about anything you want,” and that was it. Out the door. [Q: No deed?] No deed, Lord, no, we didn't have a partnership deed. You got around to signing those months or years later. As to income, as to accounts: no, you didn't see those. If you insisted, and you were liable to get a black mark, you would be shown a set of accounts, but you weren't allowed to take a copy. It was a very patriarchal”.

There was no discussion of this casual attitude to the formal side of a partnership organisation in the few written partnership histories in New Zealand.

When asked, interviewees provided only a few intuitive reasons for anti-nepotism clauses, with no inter-participant consistency, and little certainty, on any detail of the founding incident. As will be further discussed, the very lack of consistencies in the understanding of the drivers to the original rules demonstrates that once the rules were instituted, they had such traction that the rationale became irrelevant. In order to discuss the exact nature of the anti-nepotism rules, the next section reviews ideas about the incidence of nepotism, and data from the interviews.

### **The phenomenon of nepotism**

Historically, selection or promotion based on consanguinity used to mean the advantages, or opportunities for advancement, enjoyed by a Pope's nephew. However, the meaning enlarged to include unfair preferment of - or favouritism shown to - friends, protégés or others within one's personal sphere of influence.

Adam Bellow identifies that preferred access through family ties or patronage is characteristic of certain professions; in particular banking, the military, the church, medicine, and the law<sup>xi</sup>. Nepotism, or generational succession, enjoyed resurgence with the well-documented incidence of

nepotism in American politics. Back in the 1920s and 1930s nepotism was everywhere, and “far from being controversial, it seemed as natural as breathing”<sup>xii</sup>. It was later seen as a strategy for class or elite domination, contravening the American ideals of a free society where everyone could advance on the basis of merit alone. Therefore, in addition to its occurrence in politics and some professions, Bellow suggested systematic nepotism had been practiced by the poor and in working classes e.g. firemen, policemen, and builders. It is seen by some as a rational group strategy.

Bellow does not address the accounting profession, nor whether any professions had anti-nepotism rules. However, many would agree with the view that “any entitlement to advancement on grounds of merit alone, free of any tinge of political nepotism, must be jealously guarded by any self-respecting profession”<sup>xiii</sup>. Nepotism is seen as undermining a basic sense of fairness, promotes wastes and inefficiencies, and is an obstacle to healthy economic growth; and the anti-nepotism movement was a middle-class (i.e. professional class) phenomenon,

Accordingly, this would lead one to predict that anti-nepotism rules would be observed in professional partnerships in a variety of jurisdictions. As far as can be ascertained, it does not occur in accounting firms outside New Zealand, nor in other professions. This is surprising, given Bellow’s analysis of the middle-class origins of anti-nepotism sentiment.

In this oral history, the first reference to anti-nepotism rules appeared in the 20<sup>th</sup> out of the 40 interviews, and the narrator was talking about some other individuals and their involvement in local politics; how it assisted in building up business links:

“Doug Elliffe avoided it all, because his father had been the Elliffe of Hutchison Elliffe & Cameron, and in *those days they didn’t allow sons of the firm to work for them. Or become partners. [Q: Before the Second World War?] It may have related to a specific problem that Hutchison Elliffe & Cameron had, but Doug Elliffe, never. He went to work for Wilkinson Christmas. Noel Barclay started, or became, Kirk Barclay. I think his brother Roy too. But their parents were in Hutchison Elliffe & Cameron. [Q: Do you think there’s some benefit in that? Sons not working in the same firm as their father?] Well evidently there had been a problem with one of the names in the firm. I think it was Hutchison. But I think that there is something in that. But certainly it’s gone the full circle. Because Doug Elliffe’s son is one of the senior partners in KPMG now”.*

This comment prompted the question of anti-nepotism rules being raised thereafter in other interviews, and responses sought from those already interviewed.

## **Nepotism in Accounting Partnerships**

The most common reasons, provided in interviews for the retention of the anti-nepotism rules were

- Fathers and sons tend to fall out
- It was necessary to allay suspicions that the son was taking the easy road to the top
- That the son would be able to rise irrespective of merit
- Perceived favouritism.

It was apparent that, firstly, the rules differed among the Big 8 firms by the late 1980s. For example, one partner of Wilkinson Wilberfoss (which became Arthur Young) recalled a father and son both being partners in his firm in the early 1970s, but the firm had an anti-nepotism rule thereafter which precluded a father and son working in the same office in the first partnership term of the new partner (the son)<sup>xiv</sup>.

Barr Burgess & Stewart, predecessor firm of Coopers & Lybrand, also had a rule:

“The rule was you could not have a son working or a partner in the same office as his father. But we did have Bruce Peterson’s son Ross Peterson; became a partner. [Bruce] was a partner in Invercargill who then retired, and his son became a partner, finished up in Whangarei”.

Deloitte’s predecessor firms were Hutchison Elliffe & Cameron (already discussed) and Watkins Hull Wheeler and Johnston. Watkins Hull Wheeler and Johnston had a policy after 1972 against fathers and sons in the same firm. Tom Davies recalled this date was convenient as it was just after Bill Parsons, the son of partner Geoff Parsons, became a partner. After that, children of partners were not allowed to be employed at all, apart from holiday jobs. One partner did not recall precisely why this policy was then introduced into the predecessor firms of Hutchison Hull:

“I have a dim recollection that there might have been a son in the Auckland Office who had aspirations not matched by partners’ assessments of him (his father excepted, of course)...A few years later there was a mild “disturbance” when Dunedin Office – for which read Jim Valentine, who possibly was also chairman at the time – insisted that his son, Murray, be made a partner at the unheard of age of 28. I think Jim was possibly the most autocratic senior partner I have ever come across, and to cross him could be unpleasant. I suspect we bent the policy to avoid war in the South. Anyway, Murray was

perfectly competent, although he wandered off a few years later to become a professional director with mixed success”.

In KPMG and its predecessor firms (Morris Patrick; and Gilfillan, Gentles, Pickles, and Perkins) bucked the trend of anti-nepotism rules, although it was considered valuable for a son to get experience in other firms and overseas. Subsequently there was nothing to prevent their joining the same firms as their father. Neither did the predecessor firms of Touche Ross (Clarke Menzies and McCulloch Butler and Spence) have any specific clause. Price Waterhouse was a small franchise arm of the international firm, and Arthur Andersen did not have a presence here until late in the 1980s. When asked, an anti-nepotism rule did not occur in the memories of partners of the predecessor firms of Ernst & Whinney.

There were frequent recollections of father and sons both being partners, but in different firms, as described with Lawrence Anderson Buddle<sup>xv</sup>: “All the partners in our Christchurch firm had sons and many of them qualified as accountants but none of them ever came into the firm”. This had not been the case earlier, particularly in local firms.

“[Q: Buddle & Company<sup>xvi</sup> sounded like a whole sequence of fathers and sons?] Well it was; and I think that was part of the perception that I have had and I’ve read about it often, that in business, the first generation makes it, the second generation spends it, and the third generation tries to regroup it. With the Buddle firm, I never knew Joseph Forster Buddle, but I did know Frederick Charles Buddle who was still alive when I joined the firm [c. 1960]. We were at 41 Shortland Street on the second floor, and there was a short diagonal walk across the road to the Auckland Club. Fred Buddle would always go to the Auckland Club from 12 ‘til 2, have his whiskeys or whatever it was and then came back and go to sleep in the stuffed chaise lounge in his son Peter’s office, until 3.30 and then go home; and I have a vivid picture of him walking diagonally across the road from 41 Shortland Street to the Auckland Club. He was an inveterate pipe smoker, and he had tapped the dottle of his pipe out into his umbrella and his umbrella was in flames behind him as he walked across the road [Laughs]”.

Two of those interviewed were sons of partners in the firm they joined as a partner. One of them, Derek Holland, recalls that the partners other than his father had to persuade his father to allow him in as a partner, as the other partners feared losing his skills to their firm. Tom Davies’ father had retired the year before he became a partner. Another recalled that when another firm offered a partnership to his son “they thought they were getting a treasure, getting my son in the first



place...but he didn't prove to be a particularly good accountant and I think he disappointed them a bit".

There was also the view that there was a problem if fathers push their sons into the partnership when the son is not well suited to the profession. The Auckland firm of Duthie Voyce, one of the predecessor firms of Ernst & Whinney, Alan Voyce's son Kit was in the practice: "he was not well-suited to it and probably would rather have been a farmer; he also took a long time to get his exams finished. This may have resulted in some antagonism. However he did not survive the Ernst & Young merger, although he had continued in Hunt Duthie". There was also Ernest Hunt's son Bill who was "not a willing accountant; he went to the UK, and then retired when he was about 50, which was a bit of a surprise. The job just wasn't suited for him".

A further argument for anti-nepotism was the increasing practice of utilising peer review within each office as a form of quality control. Peer review relies on relative independence of individuals within each office and may have been impacted by family relationships. However, there was no consensus on the precise details of the founding incident, as discussed earlier,

### **Discussion and Conclusion**

Memory is a social as well as an individual process<sup>xvii</sup>. In the relatively small professional community of accountants in New Zealand, these interviews provided an insight into how such a community has a conversation with itself about the nature of professional relationships and professional identity. Whatever the ambivalence about the detail of the founding event, the anti-nepotism rule had considerable traction once established as shown by the extent to which participants did not seek to determine whether or not there was a just cause for the rule. Although anti-nepotism rules were not evident in all partnerships, even those interviewees from firms without the rule agreed it 'made sense'. The subsequent use (or abuse) of the founding event in justification of such rules reflects an interplay on the extent to which history provides representational faithfulness, or merely a representation. In addition, each individual narrative provided in the interviews may have reflected the speaker's own theoretical suppositions, particularly in the question: why not in legal partnerships?

For example, given the analysis by Adam Bellow of the rise of anti-nepotism in middle-class America, it begs the question: why were there no such clauses in other professional partnerships? This question prompted inconclusive responses; for example, one partner suggested "because law's all about emotion and the joy of words and things, and accounting is cold, hard clinical facts". Another: "because lawyers are like doctors, they are dynastic. [Q: Why are accountants

not so dynastic?] I think it's because there's not quite the same mystique...a sort of Druidic culture. Once you were initiated into it [the legal profession] you can't imagine doing anything else<sup>xviii</sup>.

The messages from the past influence present practice and assist in answering “why the memory of a significant event should be lacking when the consequences of the event remains structurally embedded”. It is suggested that anti-nepotism rules continue, because they resonate with two of the premises underlying partnership organisations: that the members are equal, and each gained their position under meritocracy. They are partners, for better or for worse. The trust required in the step of becoming a partner was signified by it being considered ‘bad form’ to seek a copy of the partnership deed. It is expected that each member leaves the partnership in a better state than it was when he or she entered. This working for the greater good means there is a commitment to transfers of (intergenerational) wealth outside the usual limits of consanguinity. Any single partner wishing to make a case against the anti-nepotism clause would, *prima facie*, be deemed acting in a manner contrary to these principles of these archetypal partnership codes.

Rainer Maria Rilke saw a modern world ‘laced with often barely noticed material traces from the past that contained non-contemporaneous meaning and messages’<sup>xix</sup>. Although a present-day encounter with such objects may result in their appearing ungrounded or stranded because they are detached from their original surroundings, in fact this detachment does not “prevent them from continuing to signal backward to human worlds of meaning which would otherwise be lost from view”<sup>xx</sup>. This documentation of a past event informing the present gives a temporal depth to present partnerships arrangements, and to appreciate realities other than those of the immediate present. Documentation of this phenomenon provides a means of both deepening and broadening an understanding of the current manner in which these organisations construct and reconstruct themselves in an environment forty or fifty years removed from the original ‘significant event’. In the context of partnerships, the rule made sense, and continues to make sense, irrespective of why it started. The interview data were unexpected and there are no clear guidelines on dealing with such ‘surprises’. However, these diverse memories were able to be gathered to provide a contextual understanding of the meaning of partnerships and why anti-nepotism rules may have been introduced to reward merit, rather than birthright.

---

<sup>i</sup> Ralph Schoolcraft, “Restoring ‘the Tatters of a Mutilated Reality’: Response to Susan Suleiman”, *South Central Review* 21 (1), 2004, p. 850

<sup>ii</sup> Alessandro Portelli, “The Peculiarities of Oral History”, *History Workshop Journal*, 12, 1981, pp. 96 – 107.

- 
- <sup>iii</sup> Schoolcraft, 2004, *op.cit.* p. 83.
- <sup>iv</sup> Paul Thompson, *The Voice of the Past: Oral History*, Oxford: OUP, 2000, 3rd edition, first published in 1978.
- <sup>v</sup> Sten Jonsson & Norman B. Macintosh, CATS, RATS, and EARS: Making the case for ethnographic accounting research, *Accounting, Organizations and Society*, 22, (3, 4), 1997, pp. 367-386.
- <sup>vi</sup> The Big 8 was a reference to the largest of the international accounting firms, being Arthur Andersen, KPMG Peat Marwick, Ernst & Whinney and Arthur Young (later to merge to become Ernst & Whinney) Price Waterhouse and Coopers & Lybrand (later to merge to become PricewaterhouseCoopers; and lastly Deloitte Haskin Sells and Touche Ross (later to merge to become Deloitte Touche)
- <sup>vii</sup> As described in the previous footnote from mergers among the Big 8
- <sup>viii</sup> One withdrew from the Oral History project and another agreement remains pending.
- <sup>ix</sup> Jean Peneff, “Myths in Life Stories”, in *The Myths We Live By*, Raphael Samuel & Paul Thompson (Eds), NY and London: Routledge, 1990, p. 42.
- <sup>x</sup> Elizabeth Tonkin, “History and the Myth of Realism”, in *The Myths We Live By*, Raphael Samuel & Paul Thompson (Eds), NY and London: Routledge, 1990, p. 27.
- <sup>xi</sup> Adam Bellow, *In Praise of Nepotism: a history of family enterprise from King David to George W. Bush*. New York: Anchor Books, 2004, p. 503.
- <sup>xii</sup> Bellow, 2004, *op.cit.* p. 10.
- <sup>xiii</sup> Aneurin Bevan, *In Place of fear*, London: MacGibbon and Kee, 1952, as cited in the OED.
- <sup>xiv</sup> By the time the son was made a partner in 1979 the father in this case had retired
- <sup>xv</sup> Affiliated to Arthur Andersen, but after that affiliation was lost in the late 1980s, this firm was mostly absorbed by Price Waterhouse.
- <sup>xvi</sup> An early Auckland firm which later merged into Lawrence Anderson Buddle, as per previous footnote.
- <sup>xvii</sup> Paul Thompson, 2000, *op.cit.* p.132.
- <sup>xviii</sup> This commentary was from an accountant now working with the Law Society in New Zealand
- <sup>xix</sup> Rainer Maria Rilke, as cited by Gross, 2000.
- <sup>xx</sup> David Gross, *Lost time: on remembering and forgetting in late modern culture*, Amherst: University of Massachusetts, 2000, p.147