

**OE stories, and other unexpected outcomes in an oral
history study of partners from large professional accounting
firms.**

April 2008

DRAFT WORKING PAPER

Rachel F. Baskerville

Victoria University, Wellington, New Zealand, 2007, Phone: 04 463 6951

e-mail: rachel.baskerville@vuw.ac.nz

Introduction

A recent research project interviewing forty older partners in large accounting firms in New Zealand threw up some unexpected outcomes. It is likely this illustrates a common experience for oral histories: that the life experiences revealed in interviews do far more than provide personal narratives of familiar historical events. Oral history reports are replete with discovery, an unexpected depth of emotion associated with recall, and the benefit of reflection some time after an event by those most intimately involved.

One such outcome was an examination of the changing pattern of class mobility to the accounting profession when full-time study at universities was required for accounting students from the mid 1960's, as presented at the Auckland conference of NOHANZ in 2003^[1]. Another surprise was the discovery that a retired partner/cum historian had taped interviews with partners in Deloitte some time ago, and I am now

working with a colleague who was a partner in that firm to try to find and transcribe this source of history of that firm. Other outputs from this project were partially anticipated at the outset, such as the significance of profit-sharing systems^[ii], and colleagues found in the transcripts material to enhance or extend their own projects^[iii]. Material from those interviews concerning international affiliations and franchise arrangements with the large trans-Atlantic accounting partnerships led to three different angles presented in 2004 conference papers: on Empire and Imperialism, the significance of International Congresses of Accountants, and linking affiliation issues to the turf wars and fates of five Auckland partnerships.

The objective of this study is to isolate another unexpected outcome, providing an angle on the working lives of young New Zealanders: that of the OE^[iv]. While talking through the required bibliographic detail, a number of accountants recalled trips to London or the USA. Considering the continuing popularity of OE, perhaps it should not have been so unexpected, and their obvious enjoyment of these reminiscences reflects the value in ‘talking through’ the biographical information sheet, rather than participants filling in details before the interview commences, as it was in this stage of the discussion that the reminiscences occurred.

Before examining in more detail these OE stories, the background on this project is as follows: the project used both a survey and interviews to provide reflections by partners in all of the ‘Big 8’^[v] concerning their experiences as partners in the firms. The survey was administered in May 2002 to 488 members of the Institute of Chartered Accountants of New Zealand who were partners in these firms 1982–92. 108 responded to this survey, and members who were retired were asked if they would consider participation in an Oral History Project. Thirty-six retired respondents

expressed willingness to receive more information, and twenty-six members who consented to Oral History participation were interviewed July – December 2002.

However, there were gaps in the cohort; coverage of all firms was insufficient. A further thirty-one non-retired respondents who had answered positively to the question: *'Are you willing to be contacted further for any clarification of points raised in your response, or for meeting in group discussion with a focus group, if appropriate?'* were asked if they would participate in the Oral History cohort. Three other interviewees were also approached from recommendations during the project. Fourteen of this second group agreed, resulting in a cohort of forty. The interviews were largely unstructured, but questions were asked in a manner to ensure coverage covered the same topics; including individual work histories, audit practice, income allocation, international affiliations and particular firm histories. The commonality of the experiences during the development of each firm, and the merger activities, provided notable consistencies between variations in individual narratives.

It was during the completion of biographical details that experiences of OE emerged. A number of differences between these older men and current travellers became clear: firstly, the number able to take OE remained a minority up until the advent of air-travel. Secondly, these accountants had few opportunities for extensive European side-trips or long overland trips en route. Thirdly, their employment was, in the majority of cases, organised before they left New Zealand. Fourthly, and most significantly, it was very expensive, largely due to the fifth major difference: most went over by ship, but younger members of this cohort of thirteen accountants flew home.

The mobility of young accountants around the globe travelling for the purpose of work experience was a feature of every age group in this cohort of interviewees. The

oldest member of the cohort, born in 1929, had to come back to NZ prematurely because of the Queen's visit in 1954.

“I went overseas in 1953, and I went and worked for a chartered accountant in Edinburgh called William Bishop and Company. I wasn't there very long...it's a long story, but I had to come back to Invercargill to help Mr. Adamson, [a senior partner] because he couldn't be Mayor of the city [Invercargill] and organise the Royal Show in January 1954 that the Queen was attending. So “Come home and help, Cliff.” And I came home most reluctantly, but I did come home and Mr. Adamson got through his Queen's visit and everything”.

At the same time, another traveller just one year younger remembers:

“I arrived in England, and stayed in London House, and one of the chaps had a job at Peat Marwick, who I met. He said ‘Oh, come on down there. They're looking for people like you’. So I worked for Peat Marwicks. The first job I had in a London audit was to go Moss Bros. [the suit hire firm]. Well, you realise this was the year after the Coronation, for which many of all the Lords had hired their clothes? They'd all hired at Moss Bros. So I was given the job of going through the debtors' ledger; this was twelve months after the Coronation. I ended up with a list of bad debts, two pages: and basically everyone was a titled person and they hadn't paid for their hire of their Coronation robes. So I had to go to the accountant and say ‘well, you're going to have to increase the reserve for these debts... [Laughs]”

Mostly these overseas experiences were on the basis of working for one or two years in the overseas offices of associated firms, to the extent that it is now seen as a perk of training as an accountant^[vi]. In those years the costs were high:

“I applied for the accountancy scholarship. Everybody applied for that who was going to England. It was worth £200 a year. I mean that was a lot of money, because the passage to England, it cost me £86. It took six weeks, from Sydney to England; we went through Suez. It went and stopped everywhere, a wonderful trip...In those days, I think, we were all starting to go off to England. You see that was '54, '55”.

Another: “Hardly anybody went under their own steam, but anyway I'd saved up and I did. It was interesting, I think I was earning about £800 a year at Falconer Canons & Co; and when I started at Peat Marwick in London, because I had an introduction to a partner, who was a man called Mr Fred Charles. 'Cause I had an introduction to him, I started over £800 a year in London as well; other young newly qualified accountants from the provinces only started on £750, and a London-trained one started at £850. But the point was that my fare in a four-berth cabin on the Southern Cross, cost £165...that was one-way, so that was 20 per cent of my earnings. If I'd gone by air, it would have taken about eight days, and it would have cost about £440, so it

was well over half my income. Now, a young newly qualified accountant who's probably earning about \$45 to \$50,000 a year, can go return for about five per cent of his salary. So it was much more expensive to go there, relatively, it was very expensive to go”.

The Incorporated Institute of Accountants of New Zealand^[vii] had established a travelling scholarship in 1938, to enable the holder to ‘proceed abroad for accountancy experience, with a view to his return to New Zealand, thus tending to advance the standards of Accounting in this country’^[viii]. The publicity associated with this scholarship, and the expectation in firms that prospective partners should have some overseas experience before their partnership, led to an increasingly common pattern of overseas travel for accountants in their twenties. As noted in the 50th History of the New Zealand Society of Accountants^[ix], for every member who has proceeded abroad as a scholarship holder some thirty or more travelled at their own expense, with London the goal in most cases. Of forty interviewees in this cohort, three had received the scholarship, two missed out but travelled in any case, and a further eight went under their own steam. One of those who gained the traveling scholarships remembered:

“I was lucky enough to get an Institute of Accountants scholarship... that was a financial grant; but I also was lucky enough to get a Rotary grant that paid my fare to England. [Was that boat or flying?] Northern Star, fantastic, five weeks of holiday basically, for £125, I think it was... I joined what was then Whinney Smith and Whinney. A very traditional and pukka CA firm, in the City of London. I started on the audit side of things, and had something like a year or fifteen months on that side, and was very keen to gain management consulting experience. That was my whole purpose, was to gain experience in management consulting. So after that period on the audit side, I was transferred across to what was then a separate consulting partnership, and I had something in the order of two and a half, two and three quarter years with that firm.

And then went to America, and had a year in Chicago with Ernst and Ernst, a big office, an office in which I learned more in one year than I had in four years in the United Kingdom. It was just tremendous experience. The work ethic was almost the antithesis of what I experienced in England. It wasn't uncommon for people of my level and type to go to the pub at lunchtime and have three, if not four, pints of beer, and then resume to work [in London] on that intake”

The work experiences in the London were uniformly based on undertaking audit activity, and many felt their training in New Zealand gave them the edge over others of their age in the offices. In the United Kingdom, graduates joined accounting firms with a general degree (in Arts or Humanities most often), and received training ‘on the job’ under the articulated clerk schemes.

“I loved some of the audits. I remember going into a big jewellery store, and checking inventory. There were two of us; when we went down to check it, they sent three other people down to watch the auditors checking the inventory. But [work clothes in 1954 included] a bowler hat and umbrella, of course. You had to have a bowler hat and umbrella. I loved it”.

Another worked in the London office of Turquand Youngs, Coleman Street; he particularly remembered the building,

“An ancient building, with very conservative style. They had three floors, and it was one of these office buildings where the layout is the same more-or-less on each floor. All the audit staff pretty much were on the second floor, and all the partners were on the third floor, and all the secretarial and, typing staff were on the fourth floor. So the arrangements of the toilets reflected this; on the second floor with the auditors, well all the auditors were men then, the door of the loo said ‘Gentlemen’. On the fourth floor the door of the loo said ‘Ladies’. But what fascinated me was the one on the third floor which said ‘Partners Only’. [Laughs] I’d never thought of them as a third sex before”.

Out on the audit jobs, accountants had to travel all over England to branch offices in other centres, and worked closely with their English colleagues.

“I thought we were very much more efficient here than Peats in London. [With] my training here...I had so much better training than anybody. But the chaps I was sent out with were largely all graduates from Oxford or Cambridge, with reasonable degrees, who had been sent down to the City to get commercial experience. A lot of them were from families that had big businesses up in the Midlands, or somewhere like that. They were going to go into the family business...I remember being called in by my manager one day. He said ‘I want you to take a new person that’s just joined us, Ott, out on this audit’. It was very much ‘sir’, and all this sort of thing. He said, ‘His name is Lord Brooke. But you are just to call him Brooke’. ‘Oh yes, yes sir, who is Lord Brooke?’ ‘He is the son of the Earl of Warwick, and he’s the inheritor. He’ll be Earl of Warwick one day. I particularly want you to look after him, because I think he might be more comfortable with you, being a colonial, because he wasn’t a Cambridge graduate’...He was quite bright. But he was very much the gentleman with the MG car.”

The downside of the scholarship was the expectation that the holder would return home after two years. At the 1949 AGM of the Incorporated Institute of Accountants of New Zealand it was noted that the second recipient (in 1935), R. D. Douglas would not return, and ‘will pay back most’ of the monies. One of the interviewees in this cohort remembers being attracted to stay there:

“So I left and went off to the United Kingdom, and actually getting that scholarship was a real pain, I think, because it was an obligation to come back to New Zealand after two years, and after two years I got an extension. After four years I thought “God, I’d better come back”; I would have been part of the brain drain, because I enjoyed London so much, there was no way I was coming back. So really the scholarship, which was only about 100 pounds or something, dragged me back. I felt I had an obligation. Of course you get in another rut back here and so on, but that if it hadn't been for that [scholarship] I think I would have stayed in London quite happily”

In two other cases, their return was instigated by ill health of a partner in New Zealand, and it was expected that if they did not choose to return to accept a partnership, then someone else would be offered the job. Another remembered the downside to post-World War II Britain:

“I was thinking about was staying on in England. I had an immigration permit then, ...and I joined Unilever. I worked for a year in their internal audit department, and didn’t like it much... the defining moment I think was on a three-week job in Swansea in January; where I think in three return trips I was held up by seven separate derailments. I was a couple of hours late back home in two of those weeks, and spent a lot of time sitting in an inadequately heated second-class carriage somewhere out of Bath. It gave me the feeling I didn’t have to live like this. So at that stage New Zealand looked pretty good. I could also see that life in London was a series of long queues and overcrowding and expensive”.

The trip over, and then back....

Of these travelers, their experiences on the boats going over divided into those who described it as a five-week party, and those who did not enjoy it at all.

“Went around the Cape: Auckland, Sydney, Melbourne, Fremantle, Durban, Capetown, Los Palmas, Southampton. Nearly six weeks, one long party”.

Compared with:

“I was awarded Institute of Incorporated Accountants traveling scholarship in 1962, to travel to the U.K...I flew from Whenuapai to Sydney. I joined the *TV Flavia* which was a whole lot of coarse Australians going for their great OE, and I was the only Kiwi on board; and we were five weeks on the ship going to London...via the Suez, went to Aden. After the first week I’d sorted out the people I didn’t like. After the second week I sort of didn’t like many of the people, and after the third week I didn’t even like myself. It wasn’t a very happy time”.

Some of the early travellers went both ways by boat, but most of those born after 1939 were young enough to be able to afford to fly back; by that stage airfares offered effective competition price-wise with the boat passage.

“We went over by boat, the Achilles Laura. God, what a trip. You wouldn't want to do that again... we went via Suez, and Malta and Genoa; a dreadful boat, you wouldn't want to go on that. Five weeks of utter boredom [laughs]; three sittings at the table, and if you came down...and [if] you were at the third sitting...they just came in and put a tablecloth over the top, and there was an awful lot of spaghetti on that ship, and you could see the spaghetti stains coming through. Not nice. We came back by plane... it was odd, because when we left everyone tended to go by ship, but when we came back ships had just gone. Everyone flew.”

Destination North America

Other travellers went to North America. One recalled:

“I travelled with another mate, and the difficulty was, when we got to Toronto, Clarkson Gordon had a job for one of us, but not both of us... I spent two days in the basement of the Toronto Dominion Centre Building, which were two towers in Toronto where most of the professional firms are, with the phone book. I started phoning up chartered accountants from A; and I didn’t know whether they were big or small; and was only moderately familiar with the large firms; and got all sorts of hearings, and very nice hearings from people, but finally when I got to P for Price Waterhouse, the staff partner there took a shine to me as a New Zealander because he’d had a good run with Kiwis; and he said, “Listen, we’ve got no gaps in Toronto, but would you like to go to Montreal? And just by chance tomorrow I’ve got the staff partner from Montreal in the office”.

So Graham and I jumped at that opportunity, and I remember finding a crumpled suit out of my suitcase, and we’re pretty much broke at this stage... We had an interview, and he offered us the job; and I remember the parting shots were, “...and get your hair cut”, because in those days we looked like a couple of New Zealand primitives. So we then went to Montreal by bus; and were absolutely penniless when we arrived, and it was the day after the FLQ crisis broke, and Pierre Laporte’s body was found in the boot of his car. He was the French Minister of Labour for the Quebec province; and Graham

and I, two green-eyed boys from the Waikato arriving into a city of Montreal, where there were armoured guards and machine guns on the tubes, etcetera, quite an experience”.

Another went to Toronto, one to Calgary (because of the oil company connections) and one to San Francisco.

“There was a very strong connection: most people who aspired to progress, got opportunities to go overseas, usually to the U.K. But quite a few of us went through San Francisco, it was a period of huge growth in the United States, and all the people who came from New Zealand all fitted in extraordinarily well; I mean I ended up as a senior, as soon as I got to the United States, in charge of a whole series of jobs, ‘cause there was, there was just nobody else around; and I started working the day I arrived, and worked almost non-stop. I mean, one month I worked the whole of the one-month on a particular assignment. So it was a very busy time there; and so when I came back, all my time had been in auditing; I was auditing, but there was quite a bit of merger-type work, or securities-type work. So I had quite a wide sort of breadth of experience in terms of both companies and type of work that I did there”.

Why did firms consider it beneficial for staff to go overseas?

All the Arthur Young affiliates throughout the world were expected to audit Mobil Oil. A senior partner, Harold Titter, went to New York and spent some months there learning about the audit of Mobil Oil. That was seen as important, because that gave the New Zealand firm more audit work, and the ability to get more staff, and to train them properly. It meant also, with the overseas affiliations, that they sent staff overseas to train.

“Of course they expected Arthur Young would say, “Hey, we want the people who are working on the Mobil audit to come to a special petroleum seminar in New York... or something, and we want your senior man to attend because we want him to be doing the right thing”; and all this sort of stuff...”

Another recalled: “It was a way of picking up work as well as accessing excellent overseas practice and developments and in exchange you got benefits of staff training, staff transfers, intellectual property transfers”. The significance of promotion prospects was a key attraction both to leave, and then to come back:

“The way to get your overseas experience was to belong to an international firm, so that you could go off to London or somewhere or other, and know you had a job for the next year or two. Back then it also stood you in good stead when you came back, in getting a good managerial, and perhaps partner position if you had the right abilities...the international experience overseas was nearly always based in audit, because audit had standard procedures and was the same everywhere, and Coopers & Lybrand were very much to the forefront of making sure that was same”.

Many young accountants would join a firm specifically because there was the link with international affiliations

“No student who thinks ‘Well now I’ve qualified I need a bit of experience, then I want to go overseas; they’d be crazy if they didn’t join one of the Big Four, because they can get jobs overseas so easily...When I joined in 1980 the big change would have been the use of international names, and I don’t think that came in until about ’85. So I think it was probably the switch to the international names that made that difference. Prior to that you would have been aware that Barr Burgess & Stewart was affiliated with Coopers & Lybrand throughout the world. But I think it probably was the adoption of international names which then meant you understood straight away where the connection was and it was.”

Developing individual competencies also means adding professional experience to the firm, and many spoke of later travelling in order to contribute both to the development of technical expertise, and also to gain the benefits of face-to-face networking.

Conclusion

Their employers saw the overseas trips by young career accountants as an important part of their work experience leading to partnerships in these firms. Although many partners had no trips overseas until middle age, there were a number who did undertake travel before family or partnership responsibilities. These firms had established international franchise arrangements, and then adopted international firm names. It was important for young partners to have a good acquaintance with some of partners in United Kingdom or USA, and to have a common understanding of the implementation of the standardised systems for audits of their multi-national clients.

As airfares were introduced, these immediately became competitive with the costs of a sea passage, and airfares have continued to become relatively cheaper and cheaper.

As a young accountant, one partner calculated that a one-way sea passage to England would have been 25% of his annual salary; now it would be around 2 – 3 % by air.

These recollections of OE by accountants to London and the USA before the advent of air travel represent a section of the New Zealand workforce who contributed to the now prevalent recognition by New Zealand professional services firms of the value of overseas work experience. The longevity of the reputation of the quality of New Zealand workers for clerical/accounting jobs in London provides ample opportunities for Kiwis to find a job over there. Accounting firms valued both the technical training and the future connections, as international firms took more and more of a foothold in New Zealand business. But there was no mention of high living costs in London; neither was there any resonance in these interviews of England being ‘home’, or going home, except for one who was born there. The later traditions of high-density occupation at Earls Court, visits to Gallipoli or the Beer fests in Germany, and running with the bulls in Pamplona, were not part of these OE, but many other aspects of these interviews reflect many current experiences. As one unexpected outcome in this project, this topic deserves recording.

Appendix: The Incorporated Institute of Accountants of New Zealand

The Incorporated Institute of Accountants of New Zealand was established in 1894.

The final ceremony in its existence was noted in the June 1972 issue of the *Chartered Accountants Journal*. Although the travelling scholarship was originally £150, it increased shortly after to £200, then £550 p.a. It was awarded once every two years, and each recipient received that amount for each of the two years overseas. In 1972 the New Zealand Society of Accountants took over the administration of the scholarship, but no more were awarded after that date.

The first scholarship in 1935 was awarded to G. H. L. Davies (Lloyd Davies, father of Tom Davies, participant from Deloitte). Tom received the 17th scholarship in 1967.

The third scholarship in 1939 was to N. R. Chapman. He arrived in the United Kingdom in 1939, but did not return until 1948. The 19th and last award announced in December 1969 was to A. R. Burn.

Endnotes

^[i] Baskerville, R. F. 2006 “Professional closure by proxy: the impact of changing educational requirements on class mobility for a cohort of Big 8 partners”. *Accounting History* 11 (3) pp. 289–318.

^[ii] Baskerville, Rachel and John Beechey 2007 “Performance-based compensation: how an oral history can inform our understanding of accounting partnership income allocation models”, Working Paper, School of Business and Economics, Department of Accounting and Finance, University of Exeter.

^[iii] Baskerville, Rachel and David Hay “The Effect of Accounting Firm Mergers on the Market for Audit Services: New Zealand Evidence” *Abacus*, Vol. 42, No. 1, 2006: 87 - 104

^[iv] Overseas Experience, but always abbreviated in speech and interviews

^[v] Ernst & Whinney, Arthur Young, Deloitte Haskins & Sells, Touche Ross, KMG Peat Marwick, Arthur Andersen, Price Waterhouse, and Coopers & Lybrand. Arthur Andersen started ‘late in the piece’ in NZ, with a small operation in Auckland from 1990.

^[vi] Foreign Immersion: Overseas Postings Broaden Horizons for CAs and Their Firms *CA Magazine*. Toronto: March 1992, 125 (3): 28-33

^[vii] This was a professional body, which merged with the New Zealand Society of Accountants in 1972. It had spearheaded the founding of the NZSA in 1908, and its merger with the NZSA had been anticipated since then. See Appendix.

^[viii] Minutes of the AGM, Incorporated Institute of Accountants of New Zealand, 29 August 1934.

^[ix] Graham, Alan W. 1960. *The First Fifty Years: 1909 – 1959*. Wellington: The New Zealand Society of Accountants. Page 93.