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AN EMPIRICAL EXAMINATION OF THE PUBLIC PERCEPTION
OF MULTIDISCIPLINARY PRACTICES IN THE UNITED STATES

A Dissertation
Presented for the
Doctor of Philosophy Degree
The University of Mississippi

Eric D. Bostwick

August 2003

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To the Graduate Council:

I am submitting herewith a dissertation written by Eric D. Bostwick entitled "An Empirical Examination of the Public Perception of Multidisciplinary Practices in the United States." I have examined the final copy of this dissertation for form and content and recommend that it be accepted in partial fulfillment of the requirements for the degree of Doctor of Philosophy from the School of Accountancy.

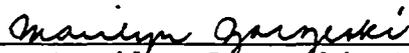


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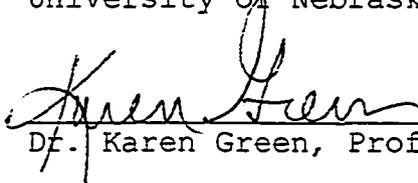
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DEDICATION

I dedicate this dissertation to my wife, Michele, whose self-sacrifice during this process has far exceeded my own. She has been my proofreader, my cheerleader, my friend, and my confidant. She gave up a year of "our" time to allow me to fulfill my residency requirements, and she gave up several months of "her" time to set aside her own teaching responsibilities to come be with me during my final semester of coursework and comprehensive examinations. She is a wonderful mother, wife, and friend. Thank you, Michele. I love you-forever and always.

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ABSTRACT

AN EMPIRICAL EXAMINATION OF THE PUBLIC PERCEPTION OF MULTIDISCIPLINARY PRACTICES IN THE UNITED STATES

Bostwick, Eric D., B.S., Pensacola Christian College, 1995. M.Acc., The University of West Florida, 1997. Ph.D., The University of Mississippi, 2003. Dissertation directed by Dr. Morris Stocks.

Although many variations of multidisciplinary practices (MDPs) have been accepted internationally, MDPs are still prohibited in the U.S. Within the U.S., the accounting profession claims that clients are driving the demand for MDPs while the legal profession asserts that the accounting profession is driving the demand for MDPs. Despite calls from both professions for research on MDPs, little work has been conducted.

The present study answers the calls for research on MDPs in the U.S., and it also examines the areas of professional affiliation bias, company size bias, vulnerability to competition, and public perception of CPAs and attorneys. Eleven hypotheses were proposed and

statistically tested. The 3,000 participants were statistically sampled from CFOs and/or general counsels of companies traded on the NYSE or the NASDAQ.

The results of this study support the assertion that clients demand and are comfortable using the services of MDPs. However, clients indicated that CPA firms should expand their service offerings to include more traditionally "legal" services (i.e., become MDPs). Conversely, clients desired law firms to remain relatively unchanged. Thus, the accounting profession perceives a direct client demand for MDPs while the legal profession perceives only an indirect demand for MDPs via the accounting profession.

This study also provides support for a professional affiliation bias among both CPAs and attorneys. This bias is much stronger in attorneys than in CPAs. Bias was displayed even with regard to "traditional" accounting and legal services. The results of this study indicate that company size does not influence the choice of service provider. Also, CPA firms would be more vulnerable to competition from MDPs than would law firms. Finally, CPA firms and law firms were evaluated with respect to six professional characteristics (i.e., knowledge and

expertise, advocacy, fees, value, ethics, and trust). With the exception of advocacy, the accounting and legal professions are perceived similarly with regard to these characteristics.

Meeting clients' needs will certainly require inter-professional cooperation, trust, and respect. As efforts are made to provide the services most valuable to clients, efforts should also be made to provide a win-win situation for the professionals who provide such services.

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CHAPTER I
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INTRODUCTION

A multidisciplinary practice (or multidisciplinary partnership), often abbreviated "MDP," is broadly defined as any business arrangement in which individuals from different professions share the risks and rewards from jointly using their respective skills (Canadian Bar Association 1999a; Legal Profession Advisory Council of the Law Society of New South Wales 1999; Nicolay 1998). Using this definition, the Big 4¹ professional services firms, law firms, engineering firms, architectural firms, family counseling services, and many other businesses actively engage in multidisciplinary practices. However, the issue most often associated with the current multidisciplinary practice debate is the question of whether or not a lawyer may enter into a multidisciplinary practice as a fee-sharing partner with other individuals (either professionals or non-professionals). The American Bar

1. During the research for this paper, the "Big 5" was reduced to the "Big 4" in the wake of the Enron scandal. For clarity, the term "Big 4" is used throughout the paper although referenced materials may actually refer to the "Big 5."

Association's (ABA) Commission on Multidisciplinary Practice stated that the legal profession's current ethical rules did not prohibit inter-professional cooperation. "What is forbidden is an MDP, an integrated practice in which a lawyer shares fees with a nonlawyer or enters into partnerships or an analogous relationship with a nonlawyer to deliver legal services to clients" (ABA 1999b, 4).

As is evident from the following definitions used within the legal literature, the legal profession has concluded that multidisciplinary practices cannot exist without lawyer participation and cooperation. Sarnoff (1999, 36A) defines a multidisciplinary practice as "an organization owned wholly or partly by non-lawyers that provides legal services directly to the public through owner or employee lawyers." Stein (2000) defines a multidisciplinary practice as a fee-sharing partnership providing both legal and nonlegal services from lawyer and nonlawyer partners, respectively (either of whom may own a controlling interest in the firm).

The most prevalent non-lawyers involved in the multidisciplinary practice debate, and the most vocal outsiders encouraging the ABA to change its ethics rules, are accountants. The Big 4 professional services firms

have a large stake in the multidisciplinary practice debate. These firms are the largest employers of lawyers in the U.S. (Huefner and Kellogg 1999; Myers 2000), and if they were ranked with other law firms according to the number of lawyers employed, they would be among the largest law firms in the world (ABA 1999b). These advantages (i.e., already having lawyers on staff and having more lawyers than most law firms) strategically position the Big 4 professional services firms to offer legal services in the U.S. as soon as multidisciplinary practices are approved (Myers 2000; Sarnoff 1999). Because multidisciplinary practice involving lawyers and accountants is the main issue in the multidisciplinary practices debate (both domestically and internationally), the remainder of this paper will use the term *multidisciplinary practices* in reference to partnerships between U.S. accountants and U.S. lawyers (unless otherwise stated).

Importance of the Study

There is much disagreement about the forces driving the apparent demand for multidisciplinary practices. A majority of those in the accounting profession ascribe the

current international interest in multidisciplinary practices to clients' widespread demands for "one-stop shopping" (Curtis 1999; Huefner and Kellogg 1999; *Journal of Accountancy* 1999; Sarles 1999a, 1999b; Sarnoff 1999). Conversely, many in the legal profession consider the accounting profession (i.e., the Big 4 professional services firms) to be the sole, or at least the dominant, force behind the international move toward multidisciplinary practices (Binole 1999; *Journal of Accountancy* 2000; Sarnoff 1999).

In addition to the discussion over what (or who) is driving the current demand for multidisciplinary practices, there is also disagreement concerning the effects of multidisciplinary practices on consumers, professionals, and professions. Supporters of multidisciplinary practices focus on consumer advantages such as greater convenience, lower costs, fewer transactions, and increased competition (Dwyer 1999; Green 2000; Huefner and Kellogg 1999; *International Tax Review* 1999; *Journal of Accountancy* 1999, 2000; Oberly 1999; Sarnoff 1999). Opponents of multidisciplinary practices draw attention to professional issues such as questionable "professional" unions (e.g., tow truck drivers with attorneys, Sears employees with

accountants), impairment of judgment, client confidentiality, attorney-client privilege, conflicts of interest, ethical erosion, unauthorized practice of law, certification requirements, disciplinary enforcement, and cultural differences (Banks 1999a, 1999b; Binole 1999; Dwyer 1999; Fox 2000; *Journal of Accountancy* 1999; Laffie 1999; Law Society of England and Wales 1998; New York State Bar Association 2000b; Sarles 1999a, 1999b; Sarnoff 1999).

Despite calls from both the accounting and the legal professions for research to determine the causes for and effects of multidisciplinary practices, little empirical work has been conducted to answer these important and divisive questions. To the author's knowledge, there have been only two empirical (but primarily descriptive) studies in any country addressing multidisciplinary practices. These studies are briefly summarized below, but they will be more fully discussed in the following chapter.

The first study, a survey of business executives, was performed as a joint project of the Illinois Certified Public Accountant Society (ICPAS), the Legal Marketing Association, and Martindale-Hubbell (Illinois Certified Public Accountant Society 2000). The results of this study, hereafter referred to as the ICPAS study, were

equivocal; and they could easily be interpreted to mean that business executives favor or oppose multidisciplinary practices. However, the ICPAS study did provide valuable information regarding what types of professionals business executives are most likely to use for a variety of typical business transactions and events (e.g., tax counsel and planning, import/export transactions, business organization and formation).

The second study (Frank, Hanson, Lowe, and Smith 2001), also primarily descriptive, was limited in that it sampled only certified public accountants (CPAs) within the U.S. In addition, it did not attempt to identify the causes for or effects of allowing multidisciplinary practices. It simply asked CPAs what types of services they would offer if multidisciplinary practices were allowed. Nevertheless, this study is indicative of the response of CPAs should multidisciplinary practices gain legal status within the U.S.

Purpose of the Study

Most industrialized countries originally looked to the U.S. for guidance and leadership on the acceptance of multidisciplinary practices. However, many of these

countries have surpassed the U.S. in their deliberations over multidisciplinary practices. In fact, many countries (e.g., Australia, Belgium, Canada, England, France, Germany, Italy, the Netherlands, New Zealand, Spain, Sweden, and Switzerland) have already adopted multidisciplinary practices, modified for their specific countries, as a legal form of business association. Although a few countries have concluded that multidisciplinary practices should not be allowed within their jurisdictions (e.g., the Irish Republic, Northern Ireland, and Scotland), there is widespread international support for multidisciplinary practices (Bower 1999; Law Society of England and Wales 1998; New York State Bar Association 2000b; Terry 2000).

International acceptance on this scale would seem to indicate that there are many business professionals, at least internationally, who value and desire the services of a multidisciplinary practice. Nevertheless, multidisciplinary practices are prohibited in the U.S. with the exception of the District of Columbia (ABA 2003). Seven other state bar associations are in favor of multidisciplinary practices, but they have not yet granted formal approval (ABA 2003).

One cause for the general rejection of multidisciplinary practices in the U.S. is the ABA's ethics rules that prohibit lawyers from sharing fees with non-lawyers and from practicing law for the general public in a less than 100% lawyer-controlled firm. Although the legal profession, during two meetings in 1999, considered relaxing the ethics rules that currently prohibit multidisciplinary practices, in both instances the changes were strongly opposed by ABA members. At its annual meeting in June of 2000, the ABA disbanded its Commission on Multidisciplinary Practice (ABA 2000a, 2000e). However, several state bar associations are continuing to study the multidisciplinary practice issue (ABA 2003).

Another cause for opposition to multidisciplinary practices in the U.S. may lie in an important but apparently overlooked market-based factor--the differing structure of various countries' legal systems. Most of the early adopters of multidisciplinary practices follow a civil law tradition. Conversely, most of those countries that adopted multidisciplinary practices later, that are still debating the issue, or that refused to allow multidisciplinary practices follow a common law tradition. The U.S. is among these common law countries.

This difference may seem trivial at first, but the functions of lawyers within each system are quite distinct. Stated in its most basic form, lawyers in civil law countries work *with the court* to find the "truth" while lawyers in common law countries work *against each other* to find the "truth." Thus, the function of lawyers in civil law countries is similar to the traditional role of accountants (i.e., auditors)--to protect the public by revealing facts leading to the "truth." The adversarial system followed in common law countries calls upon lawyers to reveal only what is necessary to protect their own clients' needs.

Because of this fundamental difference between legal systems, the multidisciplinary practice form of business practice is relatively uncontroversial in civil law countries. This may also explain why some common law countries (such as the U.S.) find the concept of multidisciplinary practices less easily accepted. Nevertheless, many common law countries (e.g., Australia, Canada, England, and Wales) have adopted the multidisciplinary practice form of business association. Therefore, the legal system is only one of many factors in

determining a country's acceptance of multidisciplinary practices.

Broad international acceptance of multidisciplinary practices may indicate that the demand for multidisciplinary practices is client-driven. However, the counter argument to this claim is that the Big 4 professional services firms are forcing the move toward multidisciplinary practices upon their clients. The purpose of this study is to determine business professionals' demand for and level of comfort in using an MDP, as opposed to CPA firm or law firm, for traditional accounting and legal services.

Contribution of the Study

The primary contribution of this study is the investigation of business professionals' actual perceptions of multidisciplinary practices. If the demand for MDPs is driven solely by the Big 4, then business professionals should exhibit a significant preference for using either CPA firms or law firms, rather than multidisciplinary practices, to handle most of their business service needs. Conversely, if clients desire multidisciplinary practices, then business professionals should not exhibit a

significant preference for using either CPA firms or law firms, rather than multidisciplinary practices.

The second contribution of this study is the investigation of the effect of professional affiliation on one's preference for multidisciplinary practices. Schneider's (1987) attraction-selection-attrition (ASA) theory states that individuals will seek to join organizations (e.g., professions) with traits similar to their own and that the members of an organization (e.g., professionals) will admit those candidates that are most like themselves. In addition, individuals who are admitted to the organization but who later discover that they are different from the other members of the organization will remove themselves (or allow themselves to be removed) from the organization (i.e., attrition). Because of the attraction-selection-attrition process, the members of an organization are more similar to one another than they are to non-group members. If ASA theory holds true in the professional realm, then one should reasonably expect a bias toward one's own profession (and against competing or rival professions) to exist in both the accounting and the legal arenas. With respect to multidisciplinary practices, the members of the accounting profession should respond

favorably to the concept of multidisciplinary practices (following the leadership of the American Institute of Certified Public Accountants [AICPA]), and members of the legal profession should respond negatively to the multidisciplinary practice model (following the public stance of the ABA).

A third contribution of this study is the examination of the relationship between company size and perception of multidisciplinary practices. Some authors have speculated that small- and medium-sized CPA and law firms will benefit the most from the legalization of multidisciplinary practices (Jones and Manning 2000; Matheson and Adams 2000). These smaller firms would be expected to have fewer, or at least more easily identifiable, conflicts of interest (Jones and Manning 2000). Therefore, these firms could experience the anticipated synergies from combining the talents of CPAs and attorneys while realizing a minimum of the negative side effects feared by the legal profession. In addition, the clients of these smaller firms may feel more comfortable using "one-stop shopping" than would larger businesses with more intricate and complex accounting and legal needs. In addition, the concept of organizational size has been found to be

influential in relation to such diverse topics as CEO pay (Tosi, Werner, Katz and Gomez-Mejia 2000), corporate social and financial performance (Gooding and Wagner 1985; Orlitzky 2001), and export behavior (Calof 1994; Javalgi, White and Lee 2000). It is therefore possible that company size may have an effect on one's perception of multidisciplinary practices.

This study is primarily concerned with the response to multidisciplinary practices from the clients of the Big 4 professional services firms, and most of these clients will be larger companies. Nevertheless, an effort will be made to include as broad a spectrum of client sizes as possible. This will allow for an examination of the potential effect of company size on one's perception of multidisciplinary practices. Thus, to the extent possible, this study will involve the investigation of the effect of company size on business professionals' attitudes toward multidisciplinary practices.

The fourth contribution of this study is the determination of the degree to which business professionals consider the "exclusive" services of CPAs and attorneys as inviolate. If the "exclusive" services of CPAs (attorneys) are more likely to be granted to multidisciplinary

practices than are the "exclusive" services of attorneys (CPAs), then the legalization of multidisciplinary practices could be more damaging to the professional franchise of CPAs (attorneys) than to the professional franchise of attorneys (CPAs). The AICPA has strongly favored and the ABA has strongly opposed the legalization of multidisciplinary practices. These public stances indicate that the AICPA feels that the legalization of multidisciplinary practices will not threaten CPAs while the ABA considers the legalization of multidisciplinary practices as a potential menace to attorneys. After this study assesses the respective vulnerabilities of the AICPA and the ABA to competition from multidisciplinary practices, the public positions of the AICPA and the ABA (with respect to multidisciplinary practices) will be reviewed. It will be interesting to see whether these public positions reveal an inclination toward better client service or toward professional protectionism.

For example, if a profession were to support the legalization of multidisciplinary practices in anticipation of increased profits and/or expanded professional influence, this would provide a mild indication that the profession was self-seeking rather than client-oriented.

Since all for-profit businesses legitimately seek profit from serving their clients, a self-serving motive could be inferred only if the profession advocated multidisciplinary practices regardless of the desires of its clients to the contrary. Based upon this logic, one can infer that the accounting profession has self-serving motives if both of the following assumptions are true: multidisciplinary practices are not client-driven and the accounting profession anticipates increased profits and/or professional status from the legalization of multidisciplinary practices.

Conversely, if a profession were to anticipate negative financial and/or professional effects from legalizing multidisciplinary practices and were to take a stand against multidisciplinary practices, one could infer that this position was taken for the purpose of professional protectionism. However, no for-profit business willingly enters into arrangements that are financially harmful. Professional protectionism could be inferred only if the profession were to oppose multidisciplinary practices despite business professionals' wishes to the contrary. Therefore, one can state that the legal profession has self-serving motives if both of the

following assumptions are true: multidisciplinary practices are client-driven and the legal profession anticipates reduced profits and/or professional privilege from the legalization of multidisciplinary practices.

Another potential interpretation of the public positions of the accounting and legal professions is based upon resource dependence theory (Pfeffer and Salancik 1978). According to this theory, organizations attempt to manage their resource environments to ensure self-preservation. In the present situation, the accounting profession's desire to legalize multidisciplinary practices can be interpreted as a way to further diversify its service offerings (into the area of law) to minimize dependence upon any one service or class of clientele. Thus, the accounting profession appears to have chosen to adapt to what it perceives to be a change in its resource environment (i.e., a change in client demands). This argument is especially compelling in light of the fact that the only legally protected service offered by CPAs is the audit function. Therefore, more of the services traditionally offered by CPAs could be infringed upon without legal challenge or recourse.

On the other hand, the legal profession is dependent upon primarily one service, legal advice. This dependence makes the legal profession vulnerable to environmental changes (e.g., additional competition from multidisciplinary practices). Instead of adapting, the legal profession appears to be using professional barriers and regulatory policy to prohibit the change in its environment. Most legally regulated industries suffer from three problems: the decision-makers are third parties to the transactions, the decision-makers are unaffected by their decisions, and the decisions that are made are applied far beyond their original application (Pfeffer and Salancik 1978). The legal profession is unique in that it is the primary shaper of the laws by which it, and all other professions, must abide. Therefore, the legal profession is in the enviable position of being its own third-party regulator, of directly benefiting from its decisions, and of applying its decisions as specifically or as broadly as it pleases. By controlling the provision of, access to, use of, and regulation over legal services, the legal profession is in firm control of its resource environment (Pfeffer and Salancik 1978). Allowing the

legalization of multidisciplinary practices would only serve to threaten this tight control.

A final contribution of this study is the inclusion of business professionals' perceptions of the accounting and legal professions as explanatory factors in the multidisciplinary practice debate. Although these client perceptions are expected to correspond with other research (see Louis Harris Poll 1986), they may provide a greater depth of understanding to the underlying reasons for acceptance or rejection of multidisciplinary practices in the U.S. Further, business professionals' perceptions of multidisciplinary practices will serve as an additional measure of a profession's vulnerability to multidisciplinary practices. If a profession enjoys a positive reputation, clients will be less likely to search for alternative service options; however, if a profession suffers from a negative reputation, its clients will be more likely to search for alternative service providers.

This study will not address the question of the effects of legalizing multidisciplinary practices. Unless the causes for multidisciplinary practices can be isolated and explained, then the consequences of allowing multidisciplinary practices will be difficult to anticipate

or control. Therefore, this study attempts to understand the precedents so that subsequent investigations of multidisciplinary practices will have a common, well-established foundation from which to proceed.

Organization of the Study

This dissertation is presented in five chapters. Chapter One has introduced and defined the concept of a multidisciplinary practice and has outlined the importance of studying multidisciplinary practices. Chapter One has also stated the purpose of the study and has enumerated several contributions of the study. Chapter Two will more fully examine the international aspects of multidisciplinary practices (as they relate to the multidisciplinary practice debate in the U.S.) and will provide a detailed review of the relevant literature on multidisciplinary practices. Chapter Three will present the research methodology used in this study. This chapter presents the participants, preliminary power analysis, the sample size and selection procedures, the data collection procedures, the hypotheses, the research instruments, and the statistical tools used in the study. The analysis of the data is found in Chapter Four. The final chapter is a

summary of the findings, interpretations, and conclusions of the study, with pertinent limitations, along with recommendations for future research.

CHAPTER II
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LITERATURE REVIEW

Introduction

This chapter provides an overview of research relevant to multidisciplinary practices. Although there have been only two formal studies, to the author's knowledge, on multidisciplinary practices (Frank et al. 2001; ICPAS 2000), there are many informal treatises and discussions of multidisciplinary practices in both the accounting and legal literatures. In addition to these sources, the actual experiences of countries that permit multidisciplinary practices and the perspective of the World Trade Organization (WTO) via the General Agreement on Trade in Services (GATS) are also enlightening. This chapter is organized as follows: the perspective of the international community, the perspective of the American legal profession, and the perspective of the American accounting profession.

The Perspective of the International Community

Since the form of a country's legal system (i.e., civil law versus common law) may play a role in that country's attitude toward multidisciplinary practices, the following discussion considers countries within each of these legal systems separately. This first portion of this section summarizes actual practices in civil law countries. Special attention is placed on Germany because Germany has allowed multidisciplinary practices for longer than any other country; it has not experienced the anticipated negative side effects of multidisciplinary practices; and it has received the most scholarly attention of any civil or common law country. The second portion of this section provides an overview of several common law countries, omitting the U.S. Issues related to multidisciplinary practices in England, Australia, and Canada will be studied closely because these countries have legal systems most closely resembling those of the U.S. The final portion of this section of the chapter addresses issues raised by the WTO under GATS.

Civil Law Countries

Germany. Germany, which has allowed multidisciplinary practices statutorily since 1964, was the first

jurisdiction to allow multidisciplinary practices (New Zealand Law Society 1999a; Sarnoff 1999; Smith 2000; Terry 2000). During the 1998-1999 academic year, Professor Laurel Terry took a one year sabbatical to study multidisciplinary practices in Germany (Terry 2000). She found that, contrary to common belief, the Big 4 professional services firms are relatively new entrants to the German multidisciplinary practice arena. Of the Big 4 firms, Ernst & Young claims the oldest German multidisciplinary practice, started in 1992. Of the other three Big 4 firms, KPMG entered the German multidisciplinary practice market in 1996; and Deloitte & Touche and PricewaterhouseCoopers entered in 1998.

Terry (2000) also discovered that although German law allows fully-integrated multidisciplinary practices (i.e., accountants and lawyers as partners in the same business), only one of the Big 4 firms, KPMG, has chosen such an arrangement. The other three firms operate separate accounting and law firms with cross-selling arrangements and common support services (e.g., office leasing, equipment leasing). It is the small- and medium-sized firms that have opted for the fully-integrated approach. Interestingly, many of these non-Big 4 multidisciplinary

practices have been in existence since before the Big 4 firms formed their multidisciplinary practices in Germany.

Although German law allows multidisciplinary practices, it does place some limitations on multidisciplinary practices. Specifically, German law is quite selective in the professionals that may participate in a multidisciplinary practice. After describing the seven different types of lawyers and four different types of accountants in Germany, Terry (2000) reveals that only the German lawyers who are litigators or who practice patent law may join multidisciplinary practices. On the other hand, any of Germany's four types of accountants may join a multidisciplinary practice. Terry goes on to recommend that the ABA not adopt such stringent professional affiliation requirements for U.S. multidisciplinary practices.

Other civil law countries. Other civil law countries also allow multidisciplinary practices in various forms. For example, the Big 4 professional services firms have well-established multidisciplinary practices in Spain (Bower 1997; Huefner and Kellogg 1999; New York State Bar Association 2000a; Tyler 1998) and France (DiPiazza 1999a; Huefner and Kellogg 1999; New York State Bar Association

2000a; Smith 2000; Tyler 1998). France also allows non-lawyer controlled multidisciplinary practices (ABA 1999b; Bower 1999; Huefner and Kellogg 1999; New York State Bar Association 2000a). Similarly, Italy, Sweden, Switzerland, and Belgium also allow some forms of multidisciplinary practices (Bower 1999; DiPiazza 1999a; Law Society of England and Wales 1998; New York State Bar Association 2000a). In 1995, multidisciplinary practices were prohibited in the Netherlands by a European Union (EU) court ruling against PricewaterhouseCoopers and Andersen Legal (New York State Bar Association 2000a, AccountingWeb 2002). The highest court in the EU recently upheld this ruling (AccountingWeb 2002). Austria currently prohibits multidisciplinary practices (New York State Bar Association 2000a).

Common Law Countries other than the United States

England and Wales. Most, if not all, of the common law systems throughout the world are based upon the English common law system. Thus, the decision to allow multidisciplinary practices in England could send a signal to the rest of the common law world. Perhaps because of this unique position, England has taken a stand different

from that of other countries on many of the issues surrounding the multidisciplinary practice debate.

By way of background, it is important to understand that the legal profession in England differs from the legal professions of most other countries in its definition of "legal services." In most countries, the practice of law is broadly defined; and those who are deemed to have strayed too far beyond the line that separates lawyer from laity may be prosecuted for the unauthorized practice of law. In England, however, the practice of lawyers is specified by statute; and non-lawyers in England often engage in activities that in other countries would be considered the unauthorized practice of law (Law Society of England and Wales 1999a). For example, in England anyone can provide legal advice or prepare wills for a fee (Law Society of England and Wales 1998). The primary statute directed toward non-lawyers is that they accurately communicate their qualifications, if any, to provide legal services. Thus, the occurrence of unauthorized practice of law in England is rare.

Perhaps this explains the somewhat indifferent attitude that the English legal profession displays toward the concept of multidisciplinary practices. Such an

attitude was typified by the weak response rates to surveys regarding multidisciplinary practices issued in 1987, 1993, and 1999 (Law Society of England and Wales 1998, 1999b). Of those surveys that were returned, however, the support for multidisciplinary practices oscillated from approximately 54% approval in 1987 to 43% approval in 1993 to between 70% and 80% approval in 1999 (Law Society of England and Wales 1998, 1999b; New York State Bar Association 2000a).

While considering the approval of multidisciplinary practices, the English bar initially devised two categories of legal work--"reserved" and "unreserved" (Law Society of England and Wales 1998). Only lawyers would be allowed to do "reserved work," which corresponded roughly to the existing definition of "legal services." "Unreserved work," however, could be done by anyone either inside or outside a multidisciplinary practice. The Law Society of England and Wales also outlined several potential advantages of allowing multidisciplinary practices such as the following: increased expertise, more consumer choices, response to consumer demand, survival of the legal profession, competition of the legal profession with other professions, the international success of multidisciplinary

practices, and informed consumer choice of legal practice (Law Society of England and Wales 1998). The potential disadvantages of multidisciplinary practices noted by the Law Society of England and Wales were as follows: lack of independence, foreign acceptance of English lawyers who practice in British multidisciplinary practices, conflicts of interest within multidisciplinary practices, loss of client confidentiality, lack of segregation of client funds, and policing of non-lawyers (Law Society of England and Wales 1998).

From the outset of its deliberations, the English bar decided to consider the multidisciplinary practice debate from the standpoint of the consumer. If the ban on multidisciplinary practices were essential to preserve client protections, the ban would be continued; but if not, the prohibition against multidisciplinary practices would be abolished (Law Society of England and Wales 1999a). The English bar admitted that its prohibition against lawyers sharing fees with others was designed to prohibit lawyers from generating legal work to be completed by non-lawyers (Law Society of England and Wales 1999a). Thus, this rule was intended to govern unscrupulous lawyers more than to prohibit the unauthorized practice of law. Based upon this

criterion and after much consideration, the English bar approved multidisciplinary practices, and several of the Big 4 professional services firms entered the English legal marketplace (ABA 1999b; Bower 1997, 1999; Huefner and Kellogg 1999; New York State Bar Association 2000a).

Australia. Although the Australian government has permitted multidisciplinary practices by statute since 1994, until more recently the professional rules of the Australian bar associations have practically prohibited lawyers from participating in multidisciplinary practices. The primary concern of the Law Council of Australia, the national bar association of Australia, with respect to multidisciplinary practices is the loss of attorney-client privilege (Law Council of Australia 2001a). In 1999, the Law Society of New South Wales was the first bar association to change its ethics rules to allow lawyer participation in multidisciplinary practices (Legal Profession Advisory Council of the Law Society of New South Wales 1999). Since this event, the Law Council of Australia has also changed its ethics rules (Law Council of Australia 2001a).

Australia has chosen to focus its professional regulation on the individual lawyer rather than on the

multidisciplinary practice itself (Law Council of Australia 2000, 2001a; New Zealand Law Society 1999a). Australia also favors the option of stipulating professionals that are acceptable candidates for participation in a multidisciplinary practice (Law Council of Australia 2001a). The Australian bar has expressed the belief that multidisciplinary practices will reduce the unauthorized practice of law because partners will feel less threatened by referring work to fellow partners than by referring work to other firms (Legal Profession Advisory Council of the Law Society of New South Wales 1999). Nevertheless, the Law Council of Australia (Law Council of Australia, 2000, 2001b) has also passed rules more clearly defining the term "legal work" to include all areas related to:

- (a) appearances in Court [sic] and matters incidental to that right;
- (b) the drawing, filling up [sic] or preparing an instrument or other document for fee or reward including:
 - (i) a will or other testamentary instrument;
 - (ii) a document that creates, regulates or affects rights between parties (or purports to do so); or
 - (iii) a document that affects real or personal property on behalf of another person;
- (c) probate work.

Canada. The Canadian examination of the multidisciplinary practice issue is extensively documented, both in print and on-line. In 1997, the CBA established a

committee to study the issues surrounding multidisciplinary practices (CBA 1999a). Interestingly, they labeled their committee the "International Practice of Law Committee," perhaps because they viewed themselves as leading the international debate on multidisciplinary practices.

The CBA cited several core values as important concerns in their consideration of multidisciplinary practices: self-governance of the legal profession, independence of the legal profession, conflicts of interest, client confidentiality, attorney-client privilege, and the unauthorized practice of law (CBA 1999a). Upon this foundation, the CBA summarized its interest in the multidisciplinary practice debate in three questions. First, should lawyer control of multidisciplinary practices be required? Second, should multidisciplinary practices be prohibited from providing services other than legal services? And finally, should multidisciplinary practices be licensed? (CBA, date unknown)

In late 1999, the International Practice of Law Committee attempted to answer these questions (and others) in its report entitled "Striking a Balance" (CBA 1999b). This report cited several potential threats to the legal

profession from the legalization of multidisciplinary practices in Canada. One threat was the erosion of lawyers' control of the legal profession because of an increased number of lawyers working in multidisciplinary practices. Another threat involved the compromise of lawyers' rules regarding client contact. Attorney-client privilege and the unauthorized practice of law were also mentioned. Despite these potential threats, the Committee recommended that multidisciplinary practices be allowed. Further, the Committee stated that multidisciplinary practices should neither be required to be controlled by lawyers nor be restricted in their choice of services to provide.

The recommendations of the Commission's report were adopted by the CBA in Resolution 00-03-A in 2000 (CBA 2000a). The Resolution added only one point to the Commission's report, requiring licensure of multidisciplinary practices. On February 19, 2001, however, the CBA passed Resolution 01-01-M which requires lawyer control of multidisciplinary practices, prohibits auditors from forming multidisciplinary practices with lawyers, and requires firm-wide imputation of conflicts of interest (CBA 2001). This Resolution also restates the

core values of the legal profession (i.e., confidentiality of client information, attorney-client privilege, avoidance of conflicts of interest, independence of the legal profession, avoidance of the unauthorized practice of law, and loyalty to the client) and reiterates the provincial law societies' right and responsibility to license multidisciplinary practices (CBA 2001). It is interesting to note that two of the "core values" cited in the Resolution, the independence of the legal profession and the avoidance of the unauthorized practice of law, deal explicitly with protection of the legal profession and not client interests.

New Zealand, Scotland, Northern Ireland, and the Irish Republic. New Zealand has followed the multidisciplinary practice debate in other countries closely, paying special attention to developments in Australia, Europe, and Canada. In April of 1999, the New Zealand Law Society released a paper outlining five options for regulating multidisciplinary practices (New Zealand Law Society 1999b). Although they do not yet permit multidisciplinary practices, their decisions have mirrored many of the changes in Australia. Northern Ireland and the Irish Republic oppose multidisciplinary practices, and Scotland

strongly opposes multidisciplinary practices (Law Society of England and Wales 2000a, 2000b).

The General Agreement on Trade in Services (GATS)

Accountancy was the first service that the World Trade Organization (WTO) decided to address under the General Agreement on Trade in Services (GATS). Legal services are the next area for the WTO to consider. Although the WTO has not ruled on multidisciplinary practices per se, it has made some preliminary rulings on how accounting services should and should not be regulated internationally. Most of the WTO rulings are general. The first, non-binding suggestion of the WTO was that countries should establish bilateral agreements with other countries to promote acceptance of qualified accounting personnel in all countries (WTO 1997). Other, binding resolutions require that all national and/or local requirements and procedures for licensure be established in advance (WTO 1998).

The Canadian Bar Association (CBA) is the only legal body that has responded to the WTO's work on accountancy (CBA 2000b). The CBA has encouraged the Canadian government to persuade the WTO not to use the rules it formulates for accountancy on the legal profession. Further, the CBA (2000b, 1) asserts that the legal

profession should have the "widest scope possible" to exercise its regulatory power because of its "special role" in the "fundamental operation of the justice system and even of a free and democratic society." In response to the WTO requirement that the accounting regulatory bodies show the "necessity" of their requirements, the CBA (2000b, 2) stated that "the legal profession should not have to prove the 'necessity' of rules which it is convinced are required to preserve its integrity and protect the public."

The Perspective of the American Legal Profession

The two primary concerns of the American legal profession are the erosion of the profession's "core values" (i.e., independence, conflicts of interest, and confidentiality of client information) and the proliferation of the unauthorized practice of law. The next two portions of this section will discuss each of these concerns, respectively. The third portion of this section will address the question of professional protectionism, and the final portion of this section will summarize the response of the American national and state bar associations.

The Core Values

Independence. Different compositions of the "core values" have been proposed by those within the legal profession, and these compositions do not always agree in either the order of importance or in the total number of core values. Nevertheless, independence is one of the few unanimously selected core values (Fox 2000; Hazard 2000; Jones and Manning 2000; Kostant 2000; Matheson and Adams 2000; Noteboom 2000; Stein 2000; Terry 2000; Utah State Bar 2000). Despite this unanimous selection, the importance of independence is interpreted differently by the various authors. Fox (2000, 1097) contends that multidisciplinary practices threaten "to destroy the foundation of professional independence." He also distinguishes the "independence" of lawyers from the "independence" of CPAs. The former, Fox asserts, requires freedom from other than *client* influences while the later requires freedom from *client* influence.

Conversely, some authors (Green 2000; Hazard 2000; Jones and Manning 2000; Utah State Bar 2000) state that the current rules of the legal profession are inadequate to protect lawyers' independence because of the many loop-hole relationships, such as in-house counsel and third-party

payor arrangements (agreements whereby a party who is neither the lawyer nor the client agrees to pay the legal fees of the client), which are currently allowed. Terry (2000) contends that lawyer control of multidisciplinary practices is sufficient to protect lawyers' independence within the current ethics rules. At the opposite extreme, Kostant (2000, 1255) suggests that the legal profession return to the traditional definition of lawyer independence: "the ability to analyze the act objectively, and to balance obligations to clients with responsibilities to the legal system." In addition, both Kostant (2000) and Painter (2000) call for lawyers not involved in litigation to be held to the CPA's standard of independence *from* the client.

Conflicts of interest. The legal profession requires its members to refuse to represent any interest that opposes the interests of their current clients. In a firm setting, this rule is imputed to every member within the firm so that one partner may not represent a client whose interests oppose the interests of any other partners' clients. In practice, "Chinese walls" are often constructed between partners and staff who serve clients with opposing interests. These "Chinese walls" require

physical separation of all personnel and files related to opposing interests. It is not uncommon for attorneys on opposite sides of a "Chinese wall" to literally have offices on opposite sides of the building. This arrangement allows a firm to represent both clients without violating the legal ethics rules related to conflicts of interests. However, even this technique is not acceptable for all types of conflicts. Firm-wide imputation of conflicts among all partners in a multidisciplinary practice remains a hotly debated issue.

Other research (Fox 2000; Hazard 2000; Needham 2000; Noteboom 2000; Painter 2000; Stein 2000; Terry 2000; Utah State Bar 2000) cites the imputation of conflicts as a core value of the legal profession, but the arguments for its continued inclusion as a core value are not espoused by all. Terry (2000) urges firm-wide imputation of conflicts within a multidisciplinary practice. Noteboom's (2000) conclusion, based upon his presumption that clients hire the *firm* and not the individual lawyer, is that imputation rules are needed; however, he makes no specific recommendations concerning the extent to which such rules should impute conflicts. Fox (2000), who opposes multidisciplinary practices in any form, sees no way for

firm-wide imputation to be accomplished in a multidisciplinary practice involving a Big 4 firm. In his view, there are just too many clients and too many potential conflicts of interest. Conversely, the Utah State Bar (2000) cites conflict-checking routines used by large law firms as sufficient even for Big 4-affiliated multidisciplinary practices. Kostant (2000) and Painter (2000) once again go to the opposite extreme and call for non-litigation lawyers to be held to the CPA's professional standards of conflicts (i.e., all conflicts may be waived with client consent). Interestingly, Stein (2000) notes that of the four questions addressed by the ABA Commission on Multidisciplinary Practice, the questions of conflicts of interest and confidentiality of client information were answered last and given the least weight.

Confidentiality of client information. Fox (2000) cites confidentiality of client information, attorney-client privilege, and loyalty to the client as separate core values. However since these issues are closely related, they will be addressed together in this section. Fox (2000) again distinguishes between his perception of CPAs' and lawyers' duties of loyalty and confidentiality. CPAs' loyalty, asserts Fox, is subjective and is based upon

the individual CPA. Lawyers' loyalty, conversely, is objective and based upon the firm. Continuing, Fox contends that CPAs waive confidentiality to fulfill their responsibilities under the audit function while lawyers may waive confidentiality only under threat of death or bodily harm. The Utah State Bar (2000) notes that lawyers currently share confidential information with non-lawyers (e.g., secretaries and paralegals) in the provision of legal services without adverse consequences.

Summary. Green (2000) summarizes the five assumptions of the core values rationale as follows: lawyers are better than other professionals; lawyers' rules are better than other professions' rules; non-lawyers are corrupt; non-lawyers corrupt lawyers; and lawyers' professional norms are nonnegotiable. Green (2000) then goes on to point out the fallacies of these assumptions. The first two rules have been eroded by court decisions and professional certifications allowing other professions to do work previously "claimed" by lawyers. The third, fourth, and fifth assumptions are invalidated by the bar's own rules allowing limited non-lawyer "control" or "influence" over lawyers.

Even if this were not the case, the assumptions themselves are flawed in that if one and two are true (lawyers are better than other professionals and follow better rules than other professionals follow), then lawyers could not be corrupted by non-lawyers (assumption four would not be possible). Contrary to assumption number one, Needham (2000) points out that there are several areas in which other professionals are more qualified than lawyers to provide business-related services and advice (e.g., banking, investment, accounting). Further, if clients are retaining the Big 4 professional services firms for legal services, Powell (2000) concludes that professionals other than lawyers must be providing better service than lawyers provide, even in the field of law. This thought is intimated by Bower (1997, 6) as he concludes that law firms need to convince clients that they can provide legal services "better, faster, and more efficiently than accounting firms." Kostant (2000) also notes that the standards for professionals are higher in areas where the legal bar has less authority (e.g., tax, patents, lobbying, bill collecting). Painter (2000) interprets the SEC's statement that an auditing firm's independence will be impaired if it also provides legal services to SEC

registered clients (ABA 1999b, 1999d) as a declaration that the "non-lawyers corrupt lawyers" assumption is stated in the wrong direction.

The Unauthorized Practice of Law

Currently, U.S. lawyers who are not in a 100% lawyer-controlled entity may not practice law (except in limited jurisdictions). Therefore, lawyers in the Big 4 professional services firms give "business advice" instead of "legal counsel." However, the legal profession interprets the "practice of law" quite broadly. For example, a New York State Bar opinion from 1971 stated that the following activities were the "practice of law" when done by an attorney: accountant, collection agent, claims adjuster, labor relations consultant, business consultant, insurance agent, marriage counselor, real estate broker, income tax consultant, and loan or mortgage broker (Green 2000).

Because of the expansive nature of the legal profession's definition of the "practice of law," the "business advice" offered by lawyers in a Big 4 firm would constitute the "practice of law" if these lawyers were in a law firm. Thus, Fox (2000) asserts that the lawyers currently giving "business advice" in the Big 4

professional services firms are engaged in the unauthorized practice of law, and he would prosecute these offenders as a lesson to others. Fox (2000) is also troubled by the alleged unauthorized practice of law by lawyers within the Big 4 professional services firms because these lawyers purportedly are trained to be law-abiding, are tested for competency and character, are made to take solemn oaths, and are required to take continuing legal education courses in ethics. At one point, Fox (2000, 1103-1104) exclaims that lawyers are "not just another set of service providers. . . . We are officers of the court. . . . Indeed, we are a priesthood." Holding such a belief, it is understandable that Fox is vexed by his perception that his fellow lawyers are flouting the "ten commandments" of the legal profession.

Others within the legal profession are also concerned that allowing multidisciplinary practices will *de facto* legitimize the unauthorized practice of law by non-lawyers (Matheson and Adams 2000). The Utah State Bar (2000) is of the opposite opinion, but they still intend to vigorously enforce the existing unauthorized practice of law statutes. DiPiazza (1999b) and Huefner and Kellogg (1999) contend that multidisciplinary practices would reduce the instances

of unauthorized practice of law by non-lawyers by reducing the incentives for non-lawyers to practice law. They assert that multidisciplinary practices would remove the temptation for non-lawyers to give legal advice on two counts. First, legal service fees would be retained within the entity, thus reducing the temptation to provide these services illegally. Second, since firms would not refer clients to other firms (or would do so infrequently), the threat that clients would be lured away by referral firms would be eliminated (or greatly reduced).

Wolfram (2000) sees the multidisciplinary practice debate as another chapter in the century long struggle between the accounting and legal professions. Green's (2000) assertion that the "unauthorized practice of law" sections of the ABA Model Rules were added to expand the legal profession's monopoly power seems to support this conclusion. The bar association has repeatedly tried to pigeonhole other professions while expanding its own territory (Wolfram 2000, see also the New York State Bar opinion cited earlier from Green 2000). Jones and Manning (2000) add that the legal profession has historically used legislation, bilateral professional agreements, and the

prosecution of the unauthorized practice of law to protect and expand its professional monopoly on many occasions.

Professional Protectionism or Consumer Demand?

Evidence of Professional Protectionism. Opponents of multidisciplinary practices state that multidisciplinary practices threaten to undermine the core values of the legal profession and even threaten free, democratic society (CBA 2000b; Fox 2000). Hazard (2000, 1092) retorts that "in the MDP debate, there has been a lot of talk about the core values of our profession. However, we have to consider not only the values we profess, but the values we exhibit in practice." After an enlightening history of the foundation of the current ABA Model Rules, Green (2000, 1145) states the following:

The core values rationale is a belated explanation for restrictions that, at their inception, were transparently motivated by the financial self-interests of the bar's leadership. . . . Only recently have defenders united around the core values rationale, which remains a work in progress.

Not only were such rules to the financial benefit of the bar's leadership, but Green (2000, 1128), quoting Jerold Auerbach, also reveals that such rules were intentionally prejudicial against the "metropolitan solo practitioner"

and the "foreign born lawyers" whom the bar considered to be of "inferior character."

Green is not alone in his skepticism regarding the purity of the "core values" rationale. Boyd (1999, 45) supports Green's line of reasoning:

Basically, the argument about the acceptance or rejection of MDPs seems to come down to a matter of self-interest versus public interest. Prohibiting MDPs would protect the status of lawyers and protect the average income of one's membership. Allowing MDPs would increase public access to legal services and probably reduce the price of legal services.

Green (2000, 1158) declares that "when it comes to matters of self-governance, reason easily becomes the servant of economic self-interest." Powell (2000, 1439) finds the legal profession in "transition from a cartel based on punishment . . . into a profession guided by ideals." Powell (2000, 1439) also admits that the legal profession faces a dilemma between personal and public interest by stating that "too often, too little attention has been given to the lawyer's professional question-How can I do good?-and too much attention has been given to the lawyer's business question-How can I do well?" The Utah State Bar (2000) also concluded that the ABA's current prohibition on lawyers sharing fees with other professionals amounted to professional protectionism. Matheson and Adams (2000) find

a self-interested perspective from both small and large law firms. They assert that smaller law firms want to see multidisciplinary practices approved so that they can more effectively compete with the larger law firms and that larger law firms want to see multidisciplinary practices permitted so that they can recapture business lost to firms supposedly providing legal services illegally.

Indeed, even opponents of multidisciplinary practices focus on the effects of legalizing multidisciplinary practices on firm profits; however, they encourage lawyers to disavow multidisciplinary practices on the basis of anticipated profit erosion. Bower (1997, 4) states that the "incursion into the traditional legal quasi-monopoly . . . could jeopardize as much as thirty billion in annual fee revenues to US law firms, alone." Two years later, Bower (1999, 4) concedes that unless "regulators are able to demonstrate valid public or client interests that are threatened by MDPs, the position of MDP supporters is that attempts to ban them are economic protectionism, destined to fail." In an impressive turn of phrase, the New York State Bar Association (2000b) refuted the image of legal protectionism in a press release offered after completing

its own multidisciplinary practice study. A quotation from this press release stated that:

Maintaining the integrity of the legal profession is not without sacrifice. State Bar President Thomas O. Rice of Brooklyn said, "We are mindful of the fact that denying nonlawyers the ability to have a financial interest or to participate in law firm governance deprives lawyers of significant opportunities for financial gain. The legal profession in New York, however, is not prepared to relinquish the exercise of independent professional judgment for the sake of profit."

The press release also attacked the proponents of multidisciplinary practices:

To the extent that a demand exists for integration of legal services with those of other professions -- and the evidence of such demand is equivocal at best -- that demand can be satisfied by permitting lawyers to enter into strategic alliances and other contractual relationships with nonlegal professional service providers, as well as by permitting lawyers to own and operate nonlegal businesses. Subject in both cases to some additional regulation to ensure that lawyers remain completely in control of the rendering of legal services, the purported demand for integrated services is satisfied without sacrificing the independence of the bar. The only substantive difference between this approach and that favored by those who would permit multidisciplinary partnerships is that this approach does not permit nonlawyers and lawyers to call each other, "partner."

One might well ask, if the only "substantive difference is that [the New York State Bar's] approach does not permit non-lawyers and lawyers to call each other

'partner,'" then of what benefit is such a distinction? Why not simply allow multidisciplinary practices? Obviously, the distinctions are more extensive than the press release implies; and there is reason to believe that the primary distinction is the protection of the legal profession.

Evidence for consumer demand. Those in favor of multidisciplinary practices believe that allowing multidisciplinary practices will reduce the price of legal services (Green 2000). Anecdotal evidence of such savings, although from efficiency gains not lower prices, comes from European consumers of the Big 4 professional services firms (Jacobs 2000). Multidisciplinary practices would also allow the legal profession to expand its client base beyond upper-class clients to more lower- and middle-income individuals (Utah State Bar 2000). In addition, some people normally too apprehensive to consult a lawyer might agree to use a lawyer recommended by a trusted advisor, such as an accountant or banker (Hazard 2000; Utah State Bar 2000). As a result of the preceding predictions, more clients would have access to legal services. Thus, consumers would benefit from valuable counsel that they would not otherwise seek; and the legal profession would

assist (and receive fees from) clients it would not otherwise serve.

Another argument for multidisciplinary practices is that when clients are fully informed of the nature of multidisciplinary practices, they will be able to determine the correct type of firm for their needs. In other words, the client will be able to decide whether the (presumed) extra protection afforded by a traditional legal practice is worth the (presumed) extra fees paid for such services (Painter 2000; Terry 2000). However, this argument contradicts the previous argument that more lower- and middle-income clients will gain access to legal services via multidisciplinary practices. Perhaps client sophistication may be assumed from corporations or affluent clients (who already have legal counsel), but naïve clients will be unable to make such fine distinctions concerning their legal needs. Thus, multidisciplinary practices should afford clients the same protections as traditional law firms if they are truly to benefit society at large.

Response from American National and State Bar Associations

In 1987, the Kutak Commission of the ABA placed consumer interests ahead of professional protectionism and recommended removal of, or revisions to, specific sections

of the current ABA Model Rules including those that currently prohibit multidisciplinary practices (Matheson and Adams 2000; Wolfram 2000). Its recommendations were refused. In 1998, the Commission on Multidisciplinary Practice was formed specifically to look at the issues surrounding multidisciplinary practices, issues that would never have come up had the bar accepted the recommendations of the Kutak Commission (ABA 1999b). Like the Kutak Commission, the Commission on Multidisciplinary Practice placed consumer interests ahead of professional protectionism (Powell 2000; Stein 2000) and stated, forthrightly, that it was not going to address the multidisciplinary practices issue as a "turf war" (ABA 1999b). In other words, the Commission refused to entertain professional protectionism as a valid rationale for the continuation of the ban on multidisciplinary practices.

The Commission on Multidisciplinary Practice presented its first report in August of 1999. In this report, the Commission guardedly recommended to the ABA House of Delegates that the ABA approve multidisciplinary practices (ABA 1999c). Because several state jurisdictions wanted more time to study the issues surrounding multidisciplinary

practices, a vote on the Commission's recommendations was postponed. Instead, the House of Delegates passed a resolution from the Florida bar association which provided that no action permitting multidisciplinary practices would be taken until additional evidence showed that multidisciplinary practices were in the public interest and were not detrimental to the legal profession's duties of independence and loyalty (ABA 1999a, 1999c). In December of 1999, the Commission prepared an "Updated" paper refining the concepts in the original draft (ABA 1999d).

The final showdown for opponents of multidisciplinary practices was thus scheduled for June 2000, the subsequent annual meeting of the ABA. The New York State Bar Association (2000a) prepared a 425-page report summarizing their findings on multidisciplinary practices. These findings included the effects of changes in demographics, technology, the legal environment, the business environment, education, and many other issues. The New York State Bar Association (NYSBA) report was released in April 2000 along with a press statement carried by several legal periodicals (see David 2000 for one example). This report recommended that legal professionals be allowed more freedom to participate in ancillary businesses and to

participate in "strategic alliances" with other professionals. The "ancillary businesses" referred to in the report are businesses that are fully or partially owned by lawyers and that provide non-legal services to the public. Such business arrangements were already allowed before the NYSBA report and have continued to be allowed since the report. The report also recommended that lawyers continue to be allowed to provide tax services within an accounting firm. This recommendation is interesting since U.S. law allows any individual, regardless of qualifications, to provide tax assistance for a fee. The report reiterated the supremacy of lawyers and specifically rejected multidisciplinary practices.

The final report of the ABA Commission on Multidisciplinary Practice was presented to the ABA House of Delegates in July 2000, and its recommendations were similar to those of the Kutak Commission some 13 years earlier--"allow multidisciplinary practices" (ABA 2000c, 2000d). After vigorous debate on the floor of the House of Delegates, the Commission's proposal was rejected (ABA 2000e). The Colorado Bar Association submitted a resolution that called for a postponing of the multidisciplinary practices debate and a commitment that no

action would be taken to discourage multidisciplinary practices (ABA 2000b). This resolution also attempted to place the multidisciplinary practices issue under the jurisdiction of the "Committee on Research into the Future of the Legal Profession." This measure failed, and in its place, Resolution 10F was passed (ABA 2000e). This Resolution cites six core values of the legal profession, reiterates the current Model Rules of the ABA, moves that rules be studied relating to the regulation of non-lawyer strategic alliances, and reiterates the prohibition on non-lawyer ownership of law firms. Most notably, Resolution 10F disbanded the Commission on Multidisciplinary Practice (ABA 2000a).

As discussed on the floor of the House of Delegates, this act formally removed the ABA from the multidisciplinary practice debate and left the individual state bars without national leadership in their attempts to cope with the challenges of multidisciplinary practices (ABA 2000e). On April 10, 2001, the ABA had reported the following state statistics related to the multidisciplinary practice issue: ten (including the District of Columbia) in favor of, fifteen against, one neutral, eighteen studying, and seven not considering or having no position toward

multidisciplinary practices (ABA 2001a). Seven months later on November 11, 2001, the ABA reported fourteen state bar associations (including Washington, D.C.) were in favor of multidisciplinary practices; seventeen were opposed to multidisciplinary practices; two state bar associations were neutral or divided on multidisciplinary practices; ten were still studying the issue; and eight state bar associations were not studying and/or had no position on multidisciplinary practices (ABA 2001b). Most recently on April 2, 2003, the ABA reported that eight bar associations (including Washington, D.C.) favor multidisciplinary practices; twenty-five oppose multidisciplinary practices; one is neutral; one is divided; eight are studying the issue; and eight are doing nothing in relation to the multidisciplinary practices issue (ABA 2003). Interestingly, the multidisciplinary practices issue in Utah reversed positions from favorable to unfavorable. This surprising change of events is a result of the Utah Supreme Court's denial of the Utah State Bar's petition to change the ethics rules to allow multidisciplinary practices.

The Perspective of the American Accounting Profession

The American accounting profession believes that multidisciplinary practices are client-driven responses to changes in the global marketplace. This issue will be expanded upon in the first portion of this section. The second portion of this section will summarize the American accounting profession's perception of the shared values of the American accounting and legal professions. Other miscellaneous issues will be addressed in the third portion of this section, and the final portion of this section will provide insight into the response of the American Institute of Certified Public Accountants (AICPA).

Response to Client-Demand

The Big 4 professional services firms are the primary non-lawyers in the multidisciplinary practice debate, and some legal professionals have even stated that the Big 4 are the multidisciplinary practice debate (Binole 1999; *Journal of Accountancy* 2000; Sarnoff 1999). In contrast, the accounting profession contends that the drive for multidisciplinary practices is client-driven (Curtis 1999; Huefner and Kellogg 1999; *Journal of Accountancy* 1999; Sarles 1999a, 1999b; Sarnoff 1999; Smith 2000; Tyler 1998). Barry Melancon, president of the AICPA, calls the move

toward multidisciplinary practices a "paradigm shift" resulting from "the consumer . . . asking for one-stop shopping" (Curtis 1999, 26). In support of this argument, multidisciplinary practices in Europe state that they simply want to "mirror the global activities of their clients" (Tyler 1998, 5). Smith (2000, 80) states, rather emphatically, that "client needs are critical and as their demands develop there is little doubt of the need for a multi-disciplinary service approach. . . . The concept of multi-disciplinary practices is here to stay." Huefner and Kellogg (1999) come to a similar conclusion via a different route. They state that business transactions are so complex that they *require* a multi-disciplinary approach. In addition, Oberly (1999) states that it is becoming increasingly difficult to dissect a business problem/opportunity into "business" and "legal" components.

Shared Professional Values

Assuming that the demand for multidisciplinary practices is client-driven, are there public policy issues that should prohibit multidisciplinary practices anyway? Could each profession provide the same level of service if they were to practice as partners? DiPiazza (1999b) finds no difference between the avowed core values of the legal

profession (i.e., objectivity, independence, loyalty, confidentiality, and avoidance of conflicts) and the duties to which CPAs commonly ascribe. However, he does point out that CPAs may waive direct client conflicts with the clients' consent. Lawyers are not permitted to waive such conflicts. Additionally, DiPiazza admits that conflicts are not imputed to the entire CPA firm as they are within a law firm.

In relation to objectivity and independence, Heritage (2000) asks which message clients will hear: "We offer one-stop shopping" or "We are separate legal entities"? Huefner and Kellogg (1999) echo this concern when they note that clients may confuse the roles of advocacy and independence, expecting one and receiving the other. On the other hand, they are quick to point out that the accountant-client privilege, granted by the Internal Revenue Service (IRS) in limited instances, allays some of the fears of losing client confidentiality.

Page (1999b) also makes a strong case for the confidentiality of CPAs. In his written remarks to the ABA Commission on Multidisciplinary Practice, Page notes that the Securities and Exchange Commission (SEC) requires unilateral auditor disclosure of client information only in

the case of fraud. Even in this situation, such disclosure is required only after the audit committee or board of directors has failed to notify the SEC of the fraud within 24 hours of the auditors' notification. In this situation, the SEC rules also require lawyers to counsel their clients to voluntarily disclose the information to the SEC. If the client refuses such counsel, the lawyer is to resign from the client. Thus, Page concludes that the duties of confidentiality, with respect to clients subject to SEC oversight, are quite similar for CPAs and attorneys.

In response to concerns over conflicts of interests, the accounting profession (DiPiazza 1999a; Oberly 1999) encourages voluntary waiver of conflicts. Voluntary waiver of conflicts would allow the client to be the judge of what type of legal representation is needed. Similarly, Page (1999a) finds no reason to impute conflicts from the law firm to the accounting firm, or *vice versa*, when the firms are anything less than fully-integrated multidisciplinary practices.

Page addresses the issue of *pro bono* work as another core value question. The argument is that lawyers within a multidisciplinary practice would do less *pro bono* work because the multidisciplinary practice would not want to be

associated with the "less desirable" elements of society (Fox 2000). Page (1999b) asserts that CPAs are also civic-minded and that lawyers would be expected to continue to do *pro bono* work. Although no specific examples are given, Page (1999a) even contends that lawyers in a multidisciplinary practice would have opportunities for public service not available to lawyers in traditional law firms.

Other Issues to Consider

Curtis (1999) and Page (1999a) each opine that allowing multidisciplinary practices will permit lawyers to practice their profession while receiving benefits not currently available from traditional law firms. No longer will lawyers (or accountants) be "second-class," non-partner citizens in the accountants' (lawyers') domain. However, such alliances evoke difficult questions. Curtis (1999) asks, "Who is the auditor in such a firm?" Is it the firm itself, the "auditing half" of the firm, or the individual partner(s) on the engagement? The answer to this question is important because it determines the degree of independence from clients that the firm must maintain. Demrey (1997) notes that KPMG broke off a scheduled alliance with BayMark bank in response to SEC concerns

about KPMG's relationship to the bank as both auditor and "strategic partner." The SEC has already stated that an auditing firm's independence will be impaired if the firm acts as both auditor and legal counsel to a client (ABA 1999b, 1999d).

One less frequently asked question is also of interest. If fully-integrated multidisciplinary practices are not allowed, what sorts of transfer pricing issues may arise for "network" firms? (Page 1999a) This question is especially important to the Big 4 professional services firms with their global networks. Obviously, there may still be transfer pricing issues in a fully-integrated, global firm; but when services are provided via a global "network" of affiliated firms, country-related and entity-related tax issues will need to be addressed.

Response from American Institute of Certified Public Accountants

Members of the accounting profession have had a limited influence on the multidisciplinary practice debate via their participation in the ABA's public forum on multidisciplinary practices, the Commission on Multidisciplinary Practice, (see DiPiazza 1999a, 1999b; Oberly 1999; Page 1999a, 1999b). However, even if the accounting profession could influence the outcome of the

ABA debate so that the ethics rules prohibiting multidisciplinary practices were altered, the courts still have local jurisdiction over what is and is not the unauthorized practice of law. This is clearly seen in the case of the Utah multidisciplinary practices debate. State Supreme Courts could deny the desired changes to the state ethics rules; and even if these ethics rules were relaxed, individual judges could reshape the relaxed ethics rules to create additional hurdles for multidisciplinary practices. In addition, the state bar associations are not bound by the ABA's ethics rules just as the state accounting societies are not bound by the rulings of the AICPA. Therefore, if the ABA were to allow multidisciplinary practices, the state bar associations could feasibly ignore this change and maintain their own ethics rules. Washington, D.C., a district that currently allows multidisciplinary practices contrary to the stated ABA ethics rules, is an example of the independence of the state bar associations from the ABA.

In addition to its public participation in the ABA's deliberations (and perhaps in recognition of the limitations of the ABA's decisions), the AICPA had also been working on its own solution to the multidisciplinary

practice debate. Although called by different names, the "XYZ," "Cognitor," or "IISBP" credential was one recent attempt by the AICPA to redefine the accounting profession by creating what one might call a multidisciplinary professional. The AICPA attempted to carve out the desirable, fringe elements of the legal profession; combine them with the broadest definition of the accounting profession; and place them all under the jurisdiction of a new, international organization.

Research on this new credential was initiated by the AICPA in January of 1998 (AccountingWeb 2000), approximately the same time that the ABA created its Commission on Multidisciplinary Practices. The AICPA promoted the new credential with arguments similar to those used for approval of multidisciplinary practices: to "enable AICPA members to continue to excel in a very competitive marketplace" and to "provide evidence of a professional's knowledge *across multiple disciplines*" (italics not in original) (AccountingWeb 2000). The AICPA also supported the move toward a global credential on the same basis as its desire for multidisciplinary practices: "the marketplace is ready for and has begun seeking exactly

these types of broad-based strategic professional services providers" (AccountingWeb 2000).

The design of the global credential indicated that the AICPA intended for the credential to provide a basis for CPAs to provide certain peripheral, quasi-legal services currently claimed as solely within the realm of the legal profession. In a supplementary fact sheet mailed to *Journal of Accountancy* subscribers, the first two cross-disciplinary areas of knowledge embodied in the new global business credential are from the fields of accountancy and business law (American Institute of Certified Public Accountants 2001). From within the business law arena, the global credential included competency in torts, intellectual property, contracts, product liability, debtor/creditor relationships, environmental regulation, employment relations, and business organization (corporations, partnerships, mergers, and consolidations) among other things. Although less precise, Elliott (2001), a partner with KPMG and a former AICPA chairman, included in his delineation of the global credential such broad legal areas as business law/regulation and negotiation/deal-making. Many of these areas have been "claimed" by the legal profession although they are not

expressly within the legal franchise of representation before legal tribunals. It is not surprising that the services selected for inclusion in the business law component of the global credential were highly correlated with the types of services that the AICPA desired to see offered under the umbrella of a multidisciplinary practice.

The AICPA asked its members to vote on the proposal to create and fund the International Institute of Strategic Business Professionals (IISBP) for the purpose of issuing the global business credential. The proposal called for the AICPA to provide the start-up capital for and to financially support the IISBP until such time as the IISBP became self-supporting (AccountingWeb 2000). The result of the vote was announced on January 3, 2002; and, with almost 40% of the AICPA's membership participating in the vote, the proposal was defeated by a margin of almost 2 to 1.

Chapter Summary and Conclusions

The concept of multidisciplinary practices has entered the literature of every industrialized nation. Nevertheless, there has been only limited empirical research related to multidisciplinary practices in any country despite calls for research from both the accounting

and legal professions. In addition, none of this empirical research has attempted to answer the question most often asked: what is causing the demand for multidisciplinary practices in the U.S.?

Many nations, most of whom had originally looked to the U.S. for guidance on regulating multidisciplinary practices, have surpassed the U.S. in their deliberations and have already reached conclusions on this important issue. The distinction between the acceptance of multidisciplinary practices in common law and in civil law countries is striking; however, each country's idiosyncrasies affect the multidisciplinary practice debate in unique ways. Because of these idiosyncrasies, the causes for and effects of allowing multidisciplinary practices within any nation must be examined individually. Although the experiences of other nations are insightful, the U.S. must determine its own response to the challenges presented and to the opportunities offered by multidisciplinary practices.

Since the 1987 Kutak Commission report, the leadership of the American Bar Association (ABA) has called for changes to the profession's ethics rules so that some forms of multidisciplinary practices could exist. The membership

of the ABA has opposed these changes. Most recently, in July of 2000, the ABA House of Delegates voted to disband their Commission on Multidisciplinary Practice without accepting or responding to the recommendations in the Commission's report. Actions such as these will not solve the challenges of the multidisciplinary practice debate; they will merely defer them. Many state bar associations continue to study multidisciplinary practices, and several state bar associations have come to opposing conclusions on the issues involved. Without empirical research and objective evidence, such confusion will only continue and result in more division.

The only empirical research conducted on multidisciplinary practices has come from the accounting profession. Nevertheless, the research accomplished by the accounting profession is inadequate to support the fundamental shift in business associations suggested by the multidisciplinary practice model. More structured and focused research must be conducted that will answer the questions at the core of the multidisciplinary practice debate. Emotional pleas and potential financial gains should not override empirical analysis and professional cooperation.

If multidisciplinary practices are to be allowed and if multidisciplinary practices are to be viable forms of business association, then the professionals involved in such unions must have the mutual support and encouragement of their respective professional bodies. Practical, empirical data can provide strong support for interdisciplinary collaboration. Neither the accounting nor the legal profession owns the multidisciplinary practice concept, and neither profession should omit the concerns of its potential future partners as the debate reaches its conclusion.

Ultimately, the consumer is the final arbiter of which businesses will succeed and which will fail. Rather than speculating about consumers' opinions and reactions regarding multidisciplinary practices, it makes sense to empirically determine consumers' opinions of multidisciplinary practices before multidisciplinary practices are allowed as a form of business association. To go forward with the multidisciplinary practice concept without a reasonable assurance of consumer support is to gamble resources that need not be placed at risk. However, to delay the implementation of a form of business

association that consumers desire is to lose a valuable
business opportunity.

CHAPTER III
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RESEARCH METHODOLOGY

Introduction

The primary objective of this study was to investigate business professionals' perceptions of and demand for multidisciplinary practices in the U.S. This research question was addressed by examining the likelihood of business professionals using a multidisciplinary practice to provide the services traditionally provided by either accounting or law firms. A second objective of this study was to determine whether individual affiliation with either the accounting or the legal profession biased business professionals with regard to their preference for or against multidisciplinary practices. A third objective of the study was to identify the link, if any, between the size of a company and the attitude of its business professionals toward multidisciplinary practices. After analyzing business professionals' preferences for using multidisciplinary practices, this study also considered the ramifications of legalizing multidisciplinary practices on

both the accounting and legal professions. This fourth objective of the study compared the vulnerability of each profession with their respective public stands on the multidisciplinary practice issue. Lastly, this study was designed to obtain descriptive and explanatory data related to business professionals' perceptions of the accounting and legal professions.

To answer the research questions, this study proposed a between-participants, three-way multiple analysis of covariance (MANCOVA) design. In this design, there were five dependent variables each related to a specific type of common service needed by businesses. These variables measured the likelihood that the participant would use a specified firm type (i.e., CPA firm, LAW firm, or MDP firm) for each of the five business services. The specific services and the rationale for their selection will be discussed later in this chapter.

The three independent variables used in the study were the type of firm evaluated by the participant, the professional affiliation of the participant, and the size of the company employing the participant. Analysis of the first independent variable related to the primary objective of the study. This first independent variable (i.e., the

"firm type" variable) related to the type of firm that the participants analyzed, and it had three levels corresponding to each of three research instruments. These instruments (see appendices A-C) were identical with the exception that some participants rated a CPA firm, others rated a law firm, and a third group rated a multidisciplinary practice.

The second objective of the study, the relationship between professional affiliation and attitude toward multidisciplinary practices, was investigated via the second independent variable. This variable captured participants' association with either the accounting or the legal profession (or perhaps both or neither) by asking participants to indicate whether they held a CPA certificate or bar license (or both or neither). It was considered possible that professional sympathies might cause certain business professionals to respond according to the dictates of their respective professional associations. Thus, CPAs and attorneys might have been sympathetic to their respective profession's perspective in the multidisciplinary practice debate.

The covariate used in the research design also related to the participants' professional affiliation(s). As

mentioned earlier, ASA theory indicates that the longer a professional remains in a given profession, the more likely that professional is to agree with or be like other professionals in that profession. In addition, the longer professionals remain in a profession, the more likely it is that they will think along the same lines as the profession itself. To control for this relationship, the number of years for which each participant had held a CPA certificate and/or a bar license was used as the covariate.

The third objective of the study, the relationship between the size of the participants' respective companies and their attitudes toward multidisciplinary practices, was addressed by the third independent variable. This variable was included because the needs of smaller companies may cause them to perceive the advantages and disadvantages of multidisciplinary practices in a manner different from larger companies. The size variable captured the size of the participants' respective companies.

The information from the main research question was also used to determine whether either the accounting or the legal profession had a relative advantage in competing with multidisciplinary practices. The answer to this question may provide keen insights into the rationale behind the

opposite public stands taken by each of these professions. In addition to the main research questions, this study also included six descriptive questions. It was anticipated that these descriptive questions would expand upon the information gleaned from the main research questions and would provide a greater depth of understanding to the research results.

The remainder of this chapter summarizes the study's research methodology in the following order: participants, preliminary power analysis, sample size and selection, data collection, hypotheses, and research instruments. Also included in this chapter are explanations of the statistical tests conducted and the variables used in these tests.

Participants

Since some authors have proposed that the Big 4 professional services firms are forcing multidisciplinary practices upon their clients, it was the perceptions of these clients that were of interest. These clients are business professionals who are in upper-level management positions and who have decision-making authority for at least some of their respective companies' accounting and/or

legal decisions. Although these individuals may work in companies of any size or be sole proprietors, this study limited the participants to business professionals in publicly traded companies. This limitation was deemed appropriate because these larger, publicly-traded companies were more likely to use the services of a Big 4 firm on a regular basis than were most smaller, private companies. Specifically, the study used companies registered on the National Association of Securities Dealer and Automated Quotations (NASDAQ) or the New York Stock Exchange (NYSE).

Because the participants were required to have some authority over the selection and/or retention of accounting and/or legal service providers, the CFO and general counsel were selected as the upper-level management positions most likely to have these responsibilities. In addition to responses on the dependent variables and the qualitative questions, participants were asked to provide information related to their title, professional affiliations, and the size of their respective companies. The question related to job title was a screening question designed to validate that the individuals who responded were the ones intended to receive the research instrument. The research instrument allowed participants to indicate one or more of

several affiliations (bar license, CPA, MBA, professional engineer, or other), but the primary professional affiliations of interest were accounting and law. Participants were also asked to indicate how long they had held each credential.

Preliminary Power Analysis

Before determining the sample size, power calculations were conducted to determine the number of responses necessary to achieve overall power of .80. The power formulations found in Cohen (1988) were used to determine the necessary sample size. Given five dependent variables, three independent variables, and one covariate the sample size necessary to detect a small ($f^2 \cong .023$) effective size was determined to be approximately 300 responses.

Sample Size and Selection

A review of previous studies that used a mailed research instrument sent to upper management positions (e.g., CEOs, CFOs) of large companies indicated an average response rate of approximately 10%. Since the current study required 300 responses to achieve sufficient power, a sample size of 3,000 was necessary to achieve the requisite

number of responses. Therefore, 1,500 companies from the NASDAQ and 1,500 companies from the NYSE were randomly selected for inclusion in the study. The companies from the NASDAQ were included to allow smaller companies in the study while retaining the likelihood that these companies would use a Big 4 firm on a regular basis. From each of these 3,000 selected companies, either the CFO or the general counsel was randomly selected for inclusion in the study. Because of this sampling technique, no company had more than one individual represented in the sample.

Each of these 3,000 participants was grouped by job title. The three research instrument types (i.e., CPA firm, LAW firm, and MDP firm) were randomly assigned within each participant group (i.e., CFO or general counsel). This assignment technique resulted in 1,000 of each of the three research instrument types being sent to each participant group. In addition, the research instrument types were equally divided between NASDAQ and NYSE companies (i.e., 500 of each research instrument type were sent to both NASDAQ and NYSE companies).

Data Collection

Each participant received one of the research instruments via regular mail. After answering the questions, the participant was instructed to return the instrument to the author using the business reply envelope provided. A second mailing was sent to all participants who had not responded to the initial mailing. The second mailing included another copy of the research instrument initially assigned to each participant. Non-response bias was tested by comparing the responses of early responders against those of late responders.

Hypotheses

What is the Perception of U.S. Business Professionals Toward Multidisciplinary Practices in the U.S.?

To investigate the primary research question-- how do U.S. business professionals perceive multidisciplinary practices in the U.S.--this study proposed that the acceptance of multidisciplinary practices be measured by the likelihood with which business professionals would use a multidisciplinary practice for traditional accounting and legal functions. In this respect, the results of the ICPAS study (2000) were extremely useful. In their research, the

ICPAS delineated a hierarchy of business services according to the degree of preference that business professionals had for using either CPAs or attorneys to provide each specified service. Based upon these findings, the current study used five services from the ICPAS study to represent the spectrum of business services that could be offered by CPA firms, law firms, and/or multidisciplinary practices. The five specific services selected and the related levels of business professionals' preferences for using CPAs, attorneys, or either/both to provide these services (as indicated by the ICPAS study) are as follows:

- Financial statement audits
(CPA-96.2%, attorney-0.5%, either/both-3.2%)
- Representation before taxing authorities
(CPA-53.8%, attorney-8.2%, either/both-38.0%)
- Mergers and acquisitions
(CPA-10.5%, attorney-19.5%, either/both-69.1%)
- Trade regulation and interstate commerce
(CPA-12.0%, attorney-53.2%, either/both-30.4%)
- Litigation
(CPA-0%, attorney-97.8%, either/both-2.2%)

The first and last of these five services (i.e., financial statement audits and litigation) were selected to represent two equally "exclusive" services. This label is taken from the ICPAS study. Financial statement audits and litigation are "exclusively" within the purview of CPAs and attorneys, respectively. Therefore, one would expect business professionals to exhibit a significant preference

for using either CPA firms or law firms, rather than multidisciplinary practices, for these services. The following two hypotheses were thus proposed:

H₁: There will be no significant difference between a business professional's preference for using a CPA firm or a multidisciplinary practice to perform financial statement audits.

H₂: There will be no significant difference between a business professional's preference for using a law firm or a multidisciplinary practice to perform litigation.

To validate the findings of the ICPAS study, comparisons were also made between business professionals' preferences for using either CPAs or attorneys to perform financial statement audits and litigation. In regard to these comparisons, one would expect business professionals to show a significant preference for using CPAs (rather than attorneys) for financial statement audits and to show a significant preference for attorneys (rather than CPAs) for litigation services. Since the findings of the ICPAS study conform to these intuitive observations of business practice, no formal hypotheses related to these comparisons were proposed.

Two services that are "dominated" (as labeled by the ICPAS study) by either CPAs or attorneys in approximately equal ratios were also selected from among those services

included in the ICPAS study. Business professionals prefer CPAs for representation before taxing authorities (54% CPA to 8% attorney) in approximately the same ratio as they prefer attorneys for trade regulation and interstate commerce (53% attorney to 12% CPA). In addition, business professionals are comfortable using CPAs and/or attorneys for these services in approximately the same magnitude (representation before taxing authorities--38% either/both and trade regulation and interstate commerce--30% either/both). Because CPAs and attorneys, respectively, have "dominated" these two service areas, this "dominance" should also be reflected in business professionals' showing a significant preference for using CPA firms and law firms rather than multidisciplinary practices with respect to these services. The following two hypotheses were thus proposed:

H₃: There will be no significant difference between a business professional's preference for using a CPA firm or a multidisciplinary practice for representation before taxing authorities.

H₄: There will be no significant difference between a business professional's preference for using a law firm or a multidisciplinary practice for assistance in trade regulation and interstate commerce issues.

Once again, comparisons were made between business professionals' preferences for using either CPAs or

attorneys for representation before taxing authorities and trade regulation/interstate commerce to validate the findings of the ICPAS study. One would expect business professionals to exhibit a significant preference for CPAs (rather than attorneys) to represent them before taxing authorities and a significant preference for attorneys (rather than CPAs) to assist them with trade regulation and interstate commerce issues. Since the findings of the ICPAS study are intuitively compelling, no formal hypotheses related to these comparisons were proposed.

Finally, one service labeled as "shared," mergers and acquisitions, was also selected from the list of services included in the ICPAS study. The reason for including this service was to measure business professionals' attitudes toward using a multidisciplinary practice for non-exclusive/non-dominated services. According to the ICPAS study, business professionals are almost evenly split between using either CPAs or attorneys to provide assistance with mergers and acquisition (CPAs - 10.5%, attorneys - 19.5%). In addition, this service received the highest percentage of "either/both" votes in the ICPAS study (either/both - 69.1%). The following two hypotheses are based upon the preceding discussion:

H₅: There will be no significant difference between a business professional's preference for using a CPA firm or a multidisciplinary practice for assistance with mergers and acquisitions.

H₆: There will be no significant difference between a business professional's preference for using a law firm or a multidisciplinary practice for assistance with mergers and acquisitions.

To validate the findings of the ICPAS study, additional comparisons were conducted between business professionals' preferences for using either CPAs or attorneys for assistance with mergers and acquisitions. Since the results only marginally favor attorneys, the expected result is uncertain. Therefore, no formal hypotheses related to these comparisons were proposed.

It was also anticipated that there could be an underlying construct that would help to explain why business professionals chose CPA firms for some services and law firms for other services. Thus as an exploratory measure, the scores on all five dependent variables were used to form a scale of "professional usage." The responses of each participant on each of the five dependent variables were combined in two different ways, and the resulting scalar scores were tested using two, separate, univariate analyses of variance (ANOVAs). In the first scalar analysis, the individual values were summed to

arrive at an overall "professional usage" score for each participant. In the second scalar analysis, the individual responses were subjected to a principal components analysis with varimax rotation. The resulting component weights for each dependent variable were multiplied by each participant's responses on the corresponding dependent variables to arrive at a scalar score for each participant on each component. Since these procedures were intended as exploratory measures, no specific hypotheses are presented with regard to this portion of the study.

Does Professional Affiliation Affect Business Professionals' Perceptions of Multidisciplinary Practices?

ASA theory (Schneider 1987) indicates that individuals in an organization (e.g., a profession) are systematically more similar to one another than they are to members of other organizations (e.g., professions). Based upon this theory, it is reasonable to believe that professionals will be inclined to support their own profession's public views on a given issue. The majority of the accounting literature has strongly supported multidisciplinary practices, while the majority of the legal literature has denounced multidisciplinary practices. Pretests conducted on graduate accounting and law students showed that these graduate students exhibited a strong bias in favor of their

own profession and against other professions in service selection decisions such as those included in the current study. These results provided further support for the professional affiliation bias. Therefore, the following hypotheses were proposed:

H₇: There will be no significant difference between the way in which CPAs and attorneys evaluate business service firms.

H₈: The interaction between the type of firm evaluated and the participant's professional affiliation will not be significant.

Does Company Size Affect Business Professionals' Perceptions of Multidisciplinary Practices?

It was considered possible that the size of a company might influence the attitude of its business professionals toward multidisciplinary practices. Smaller companies typically have fewer needs for specialized or complex financial and/or legal services. Thus, these companies may find the concept of "one-stop shopping" appealing. However, larger companies might also benefit from the multidisciplinary practice concept by reaping the benefits of their service provider's economies of scale and by reducing the number of potential outlets through which sensitive information could be lost, leaked, or stolen. These factors provide a rationale for including size as an

independent variable instead of simply a demographic variable (Kimberly 1976).

Nevertheless, the use of company size is strongly supported in the literature. Several prior studies have used company size as either a variable of interest (Anderson and Anderson 1988; Barber, Wesson, Roberson, and Taylor 1999; Calof 1994; Dass 2000; Gooding and Wagner 1985, Hoque and James 2000; Liuhto 2001; Orlitzky 2001; O'Rourke 1985; Reynolds and Francis 2001; Rutherford, McMullen, and Oswald 2001; Schminke 2001; Schminke, Ambrose, and Cropanzano 2000; Singh, Wilder, and Chan 1987; Wagner 2001) or as a control variable (Berson, Shamir, Avolio, and Popper 2001; Javalgi et al. 2000; Tosi et al. 2000). The specific variables used in these studies to measure company size will be discussed later in this chapter. Based upon the preceding discussion, the following hypotheses were proposed:

- H₉: There will be no significant difference between the way in which business professionals from smaller companies and larger companies evaluate business service firms.
- H₁₀: The interaction between the type of firm evaluated and the size of the participant's company will not be significant.

Vulnerability to Multidisciplinary Practices

The relative susceptibility of the accounting and legal professions to competition from multidisciplinary practices was anticipated to be another enlightening comparison. If business professionals were more likely to give "exclusive," and/or "dominant" accounting (legal) services to a multidisciplinary practice than they are to give "exclusive" or "dominant" legal (accounting) services to a multidisciplinary practice, then the legalization of multidisciplinary practices would be expected to threaten the accounting (legal) profession more than the legal (accounting) profession. In addition, if multidisciplinary practices were to claim either profession's portion of the services "shared" by both professions, this could indicate that multidisciplinary practices are already beginning to erode that profession's service market.

From an examination of their respective literatures, both the accounting and legal professions seem to consider the legal profession to have the greater vulnerability to competition from multidisciplinary practices. The respective professional responses to multidisciplinary practices can also be explained by resource dependence theory (Pfeffer and Salancik 1978). In brief, the

accounting profession appears to be adapting to what it perceives as a change in its resource environment; and the legal profession appears to be attempting to keep its resource environment from changing.

Because there was no definitive or even rationally speculative expectation regarding the relative vulnerabilities of the professions to competition from multidisciplinary practices, no specific hypotheses were proposed. Instead, this research objective was answered by considering the results of hypotheses one through six which relate to the "exclusive," "dominant," and "shared" services of accounting and law firms.

If multidisciplinary practices are significantly favored with regard to "exclusive" services, the profession is extremely vulnerable to competition from multidisciplinary practices. If multidisciplinary practices are significantly favored with regard to "dominant" services, the profession is somewhat vulnerable to competition from multidisciplinary practices. If multidisciplinary practices are significantly favored with regard to "shared" services, the profession is potentially vulnerable to competition from multidisciplinary practices. Panel A of Table 3-1 summarizes the conclusions and

interpretations presented above with regard to significant results for all hypotheses. Panel B of Table 3-1 includes conclusions when non-significant (NS) results are present.

Other Qualitative Questions

In addition to answering the primary research questions, this study also provided insight into the differing perceptions of business professionals within the U.S. toward the American accounting and legal professions. Whether real or imaginary, business professionals' perceptions of the positive and/or negative characteristics of those professions entering into multidisciplinary practices will affect the long-term viability of multidisciplinary practices should they be permitted. The questions for this portion of the study, adapted from Mauldin, Wilder, and Stocks (2000), asked participants to rate, on a nine-point scale, their perception of an assigned hypothetical firm (e.g., CPA firm, LAW firm, or MDP firm) on six different characteristics (see surveys in appendices A-C). The six characteristics are as follows:

- Knowledge and expertise
- Degree of client advocacy
- Level of fees charged
- Value received for fees charged
- Level of ethics
- Level of trust

Thus, the following hypothesis was proposed:

H₁₁: There will be no significant difference between the business professionals' perceptions of CPAs and attorneys on any of the six characteristics indicated above.

Once again, it was anticipated that there could be an underlying construct that differentiated between the characteristics of accountants and attorneys. Thus as an exploratory measure, the scores on all six characteristics were combined into a scale of "professional perception." This investigation followed the same procedures as were mentioned earlier when producing the scalar scores for the five dependent variables in the study. First, the responses of each participant on each of the six characteristics were summed to arrive at an overall "professional perception" score for each participant. Then the individual responses were subjected to a principal components analysis with varimax rotation, and the resulting component weights were used to arrive at a second scalar score for each participant. Each of the resulting scalar scores were tested using individual univariate analyses of variance (ANOVAs). Since these procedures were intended as exploratory measures, no specific hypotheses were presented with regard to this portion of the study.

Research Instruments

This study used three versions of a single-page, legal-size research instrument. The primary portion of these research instruments is presented in appendices A-C. The three versions of the instrument were identical with the exception that the type of firm that the participant evaluated was manipulated. The three firm types were an accounting firm, a law firm, and a multidisciplinary practice. The lower portion of each research instrument included a tear-off panel that the participant could return under separate cover to receive a summary of the results of the study (appendix D). A cover letter (appendix E) stated the purpose of the study and asked for the participant's assistance. A slightly revised cover letter was used for the second mailing (appendix F). A business reply envelope (appendix G) was also provided with each mailing.

Part I of the instrument asked participants to evaluate the likelihood that their companies' would use a specific type of business service firm (i.e., CPA firm, LAW firm, or MDP firm) for each of five common business services. As mentioned previously, the five services were selected from those included in the ICPAS study (2000).

The results from these questions relate to the primary objective of the study.

Part II of the research instrument incorporated prior research by Mauldin, et al. (2000) that investigated participant's perceptions of professionals who held specific, similar certifications. The purpose of the current study was not to investigate the differences between holders of similar certifications. However, the information gathered from these questions is expected to provide explanatory information for the participant's rationale in favoring or rejecting multidisciplinary practices.

Part III of each instrument asked the participants for demographic information. The first question asked for the participant's job title. This question was designed to determine whether the appropriate individual completed the instrument (only CFOs and general counsels should have received the research instrument). The second question asked participants to specify which, if any, professional certifications they held and to indicate the length of time for which they had held their certifications. Information regarding participants' professional affiliation(s) related to the second objective of this study (i.e., does

professional affiliation affect business professionals' perceptions of multidisciplinary practices). The number of years for which one had held a professional credential was used as a control variable.

Also included in Part III of the instrument were four questions related to the size of the participants' companies. These questions related to the third objective of the study (i.e., does the size of a company affect business professionals' perception of multidisciplinary practices). The measures of size included two traditional measures (i.e., number of employees and annual sales volume in U.S. dollars) and two non-traditional measures (i.e., largest accounting firm used and largest law firm used).

Each of the traditional size measures has been used extensively in other studies. The use of "number of employees" as a size variable was strongly supported in the literature (Anderson and Anderson 1988; Barber et al. 1999; Berson et al. 2001; Calof 1994; Dass 2000; Hoque and James 2000; Liuhto 2001; Rutherford et al. 2001; Schminke 2001; Schminke et al. 2000; Wagner 2001). Sales measures, although less popular, have also been used frequently (Calof 1994; Hoque and James 2000; O'Rourke 1985; Reynolds and Francis 2001; Singh et al. 1987). In addition, several

meta-analyses of the size literature report "number of employees" and "sales" measures to be among the most often used measures of company size (Calof 1994; Gooding and Wagner 1985; Javalgi et al. 2000; Kimberly 1976; Orlitzky 2001; Robinson and Pearce 1984; Tosi et al. 2000). Several other company size measures, such as company assets (Conover and Nichols 2000; Dhawan 2001; Tauringana and Clarke 2000) and market capitalization (Asthana and Mishra 2001; Ayers and Freeman 2000; Brusa, Liu, and Schulman 2000; Perez-Quiros and Timmermann 2000; Reyes 1999), have gained prominence in recent years. In their meta-analysis of size measures, however, Tosi et al. (2000) reported that the size measures of "employees," "market value," "assets," "stock equity," and "sales" loaded onto a single factor and had a Cronbach's alpha of .97. Although this high inter-item correlation might lend credence to including only one measure of company size, this study followed Calof (1994) who conduct separate analyses using each size measure (e.g., each of the two traditional measures and each of the two non-traditional measures).

The non-traditional measures (i.e., largest accounting firm used and largest law firm used) were included specifically because of their possible relevance to the

present study. These two non-traditional measures were expected to indicate the participants' perceptions of the "size" of their respective companies' needs for accounting and legal services. This perceived need for accounting and/or legal services might influence a participant's opinion of the usefulness of (and hence the participant's likelihood of using) a multidisciplinary practice.

This study was not the first to introduce unique company size measures. Keats and Bracker (1988, 45) conclude that "there is no clear consensus on the definition of 'small' in the small business literature," and they chose to use independent ownership/management as their measure of company size. Reynolds and Francis (2001) define the size of an audit client as the size of audit fees paid, and they define the size of an audit firm's specific offices as the total revenues billed. Nevertheless, the non-traditional company size measures introduced in this study were similar to those used by Lennox (1999) when he measured firm size by segmenting CPA firms into "Big 6" and "Non-Big 6" firms. The present study is distinct in that the non-traditional company size measures capture the size of the companies' perceptions of their respective needs for accounting and legal services,

and not the absolute size (e.g., number of employees, total assets, etc.) of the company, itself.

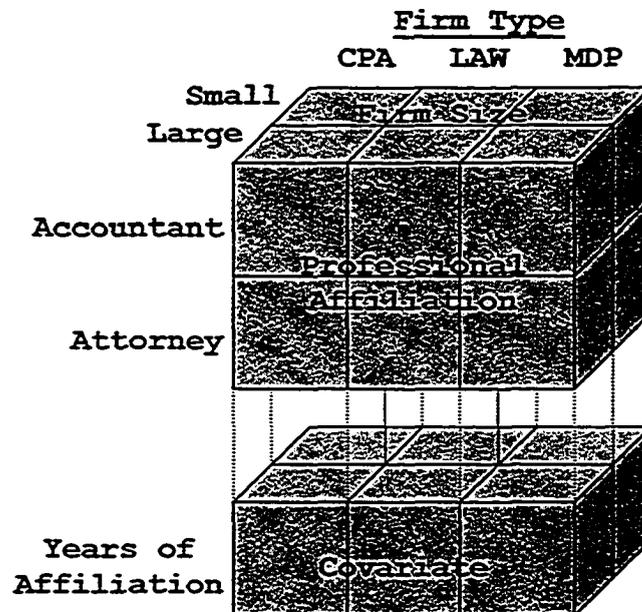
Although each of size variables was measured in multiple intervals, it was intended to dichotomize the size variable into "large" and "small" firms. Since this distinction is not definite, it was determined to conduct a median split of the responses actually received. Although dichotomization results in the loss of some data, dichotomization was desirable for two reasons. First, there has been no argument that the benefit from using MDPs occurs gradually as a firm grows. Thus, this study sought to compare only "large" and "small" firms. Second, dichotomization was deemed necessary to maintain the cell sizes at levels that would support reliable analysis.

Data Analysis

A MANCOVA design was appropriate for this study for several reasons. First, because there were five dependent variables in the study, a multivariate design was required to control family-wise, Type I error at the stated level. Second, an analysis of variance model was appropriate because the dependent variables were measured using a continuous scale while the independent variables (type of

firm evaluated, professional affiliation, and participants' company sizes) were measured at discrete levels. Finally, a covariate model was needed to account for the effects of the continuously measured control variable (i.e., number of years holding a CPA certificate or a bar license). A graphical representation of the research design is presented in Figure 3-1.

FIGURE 3-1
VISUAL ILLUSTRATION OF RESEARCH DESIGN



The dependent variables in the study measured the participant's likelihood of using a specific type of firm to perform each of the five selected business services (i.e., financial statement audits, representation before taxing authorities, mergers and acquisitions, trade

regulation and interstate commerce, and litigation). Likelihood of use for each business service was measured on a nine-point scale with "1" being "low" likelihood of use and "9" being "high" likelihood of use. Participants' scores indicated their likelihood of using their selected type of firm for each of the five business services (i.e., the five dependent variables).

There were three independent variables in this study: the research instrument manipulation of the type of firm that the participants evaluated, the professional affiliation of the participant, and the size of the participants' respective companies. The firm type variable had three discrete levels--CPA firm, LAW firm, and MDP firm. Participants rated one of these three firm types on each of the five dependent variables mentioned earlier. The professional affiliation variable could have had any number of responses, but the primary responses of interest were those participants who held either a CPA certificate or a bar license. The size variable was measured at either four (for number of employees and annual sales volume) or five (for largest law firm used regularly and largest accounting firm used regularly) levels.

The first six hypotheses addressed participants' preferences for using either traditional business service firms (i.e., CPA firms and LAW firms) or multidisciplinary practices for specific business services. These hypotheses were tested by contrasts between the specified levels of the firm type variable across all participants. Contrasts were appropriate because the hypotheses related to comparisons of specified levels of the firm type variable and not to an overall firm type effect.

The second independent variable measured the professional affiliation(s) of participants. Hypotheses seven and eight each related to information from the professional affiliation variable. It was determined that these hypotheses were to be tested using a MANCOVA model with specific interest in the contrast between CPA and attorney participants and the interaction effect between professional affiliation and firm type. Professional affiliation was measured by the participants indicating that they held either a CPA certificate or a bar license.

It was expected that few of the participants would hold both credentials. However, for those participants who did hold both credentials, it was proposed that four different analyses be conducted to determine whether this

duality had a significant effect upon the results of the study. For the first analysis, all dual credential holders were to be coded as CPAs. For the second analysis, all dual credential holders were to be coded as attorneys. If there were not enough dual credential holders to conduct a valid analysis, a third, dual-credential-holder group was to be analyzed. For the final analysis, all dual credential holders were to be omitted from the analysis. If these coding changes yielded no significant changes in the overall results of the analysis, then the dual credential holders were to be omitted from the data set.

The third independent variable related to the size of the company in which the participant worked. Company size was captured by four different measures. Two of these measures corresponded to traditional size measures found in other studies (i.e., number of employees and annual sales in dollars), and the other two measures (i.e., largest accounting firm used and largest law firm used) addressed the companies' internal perceptions of their needs for accounting and legal services. Each of these four measures was divided into discrete (i.e., "big" and "small") categories. Hypotheses nine and ten related primarily to the firm size variable, and they were to be tested using a

MANCOVA model with specific interest in the main effect of firm size and the interaction effect between firm size and firm type.

The number of years for which a participant had held a professional certification (e.g., CPA certificate, bar license) was also collected. Participants were asked to give the specific number of years for which they had held a credential; thus, this variable was measured on a continuous scale. As such, it was appropriate to enter this variable into the analysis as a covariate. As a preliminary data analysis procedure, a MANOVA was conducted to determine the effectiveness of the covariate.

Two pretests were conducted using a total of 166 graduate students in accounting, law, and education. These pretests indicated that all participants who chose to respond understood the firm type to which they were assigned, the evaluative task to be completed, and the concept of professional affiliation as presented in the research instruments and without additional explanation. Questions related to company size were not pretested on graduate students, but such questions are common in business research, and the participants in this study were expected to be familiar with such information.

Chapter Summary

The primary purpose of this study was to examine U.S. business professionals' demand for and comfort in using multidisciplinary practices in the U.S. In addition, tests were also conducted to determine whether the professional affiliation(s) of the participants and/or the size of the participants' companies had an effect on the participants' likelihood of using a multidisciplinary practice for each of five common business services. The relative vulnerability of the accounting and legal professions to competition from multidisciplinary practices was also examined. Lastly, descriptive questions were expected to provide a greater depth of understanding to the information revealed by the primary research questions.

To accomplish these objectives, this study proposed the use of a three-way multiple analysis of covariance (MANCOVA) model. The first independent variable was manipulated by assigning participants to indicate their likelihood of using one of three types of firms (i.e., CPA firm, LAW firm, or MDP firm) to perform each of five common business services. Each participant's reported likelihood of using the specified type of firm to perform each of five different business services served as the dependent

variables in the MANCOVA model. The second independent variable measured the participants' professional affiliation(s) with either the accounting or the legal profession. The final independent variable measured the size of the participants' companies. Significant MANCOVA relationships were further analyzed using analysis of variance (ANOVA) models.

TABLE 3-1
 VULNERABILITY OF THE ACCOUNTING AND LEGAL PROFESSIONS
 TO THE COMPETITION FROM MULTIDISCIPLINARY PRACTICES

PANEL A-Analysis of Hypothesis Tests Including Business
 Professionals' Significant Preference for Firm Type

"Exclusive" Services	"Dominant" Services	"Shared" Services	Conclusions
H ₁ : MDP H ₂ : MDP	H ₃ : MDP H ₄ : MDP	H ₅ : MDP H ₆ : MDP	Both professions are vulnerable to MDP competition, but neither is relatively more vulnerable than the other.
H ₁ : MDP H ₂ : LAW	H ₃ : MDP H ₄ : LAW	H ₅ : MDP H ₆ : LAW	The accounting profession is vulnerable to MDP competition, and it is relatively more vulnerable than the legal profession. The legal profession is not vulnerable to MDP competition.
H ₁ : CPA H ₂ : MDP	H ₃ : CPA H ₄ : MDP	H ₅ : CPA H ₆ : MDP	The legal profession is vulnerable to MDP competition, and it is relatively more vulnerable than the accounting profession. The accounting profession is not vulnerable to MDP competition.
H ₁ : CPA H ₂ : LAW	H ₃ : CPA H ₄ : LAW	H ₅ : CPA H ₆ : LAW	Neither profession is vulnerable to MDP competition.

PANEL B-Analysis of Hypothesis Tests Including Business Professionals' Non-Significant Preference for Firm Type

"Exclusive" Services	"Dominant" Services	"Shared" Services	Conclusions
H ₁ : MDP H ₂ : NS	H ₃ : MDP H ₄ : NS	H ₅ : MDP H ₆ : NS	Accounting profession is vulnerable to MDP competition. The vulnerability of the legal profession is undetermined.
H ₁ : CPA H ₂ : NS	H ₃ : CPA H ₄ : NS	H ₅ : CPA H ₆ : NS	Accounting profession is <i>not</i> vulnerable to MDP competition. The vulnerability of the legal profession is undetermined.
H ₁ : NS H ₂ : LAW	H ₃ : NS H ₄ : LAW	H ₅ : NS H ₆ : LAW	Legal profession is not vulnerable to MDP competition. The vulnerability of the accounting profession is undetermined.
H ₁ : NS H ₂ : MDP	H ₃ : NS H ₄ : MDP	H ₅ : NS H ₆ : MDP	Legal profession is vulnerable to MDP competition. The vulnerability of the accounting profession is undetermined.

Note: NS indicates a non-significant difference.

CHAPTER IV
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DATA ANALYSIS AND INTERPRETATION

Introduction

The purpose of this chapter is to analyze the data collected and to report the results of the research. Including the Introduction section, this chapter contains seven sections. The second section includes a summary of the response rates, tests for non-response bias, data screening process, and demographic characteristics. The third section presents descriptive statistics and examines the significance of the covariate (i.e., the number of years a participant has held a professional designation) in the MANCOVA model. The fourth section presents the results of the analyses. In section five, each of the hypotheses proposed in chapter three is examined. Section six includes a validation and extension of the ICPAS study and the additional exploratory procedures proposed in chapter three. The final section provides a summary of the chapter.

Data Collection and Description

This section describes the qualitative characteristics of the data collected. Included in this section is a summary of the response rates, tests for non-response bias, data screening process, and demographic characteristics.

Response Rates

Two mailings were conducted during the course of this study. The first mailing of 3,000 research instruments was made during the last week of November, 2002. Because the instruments were mailed to CFOs and general counsels of publicly traded companies, the expected response rate was 10%-a total of 300 useable responses. A total of 141 (4.70%) responses were received between December 9, 2002, and January 17, 2003. Of these responses, seven participants returned the research instrument without answering any of the questions and indicated that they did not wish to participate in the study. Two of these participants indicated that their reason for not participating was that they did not have an in-house general counsel. In addition to these mailed responses, three other companies (not included above) contacted the researcher by phone and indicated that they would be unable

to participate in the study. The first mailing produced a total of 134 (4.47%) useable responses.

In preparation for the second mailing, the results of the first mailing were further analyzed. Because of their explicit request to be excluded from the study, seven companies were omitted from the second mailing. In addition, fourteen participants who indicated that they wanted a summary of the research results were also excluded from the second mailing. It was assumed that these participants had responded. This conclusion was confirmed by the fact that many of the participants who requested for a summary of results included their request along with their completed research instrument (instead of under separate cover, as indicated on the research instrument).

Four research instruments from the first mailing were returned as undeliverable. The addresses and addressees of these instruments were examined to determine whether or not corrections could be made so that they would be deliverable in the second mailing. One addressee was eliminated from the second mailing because it was discovered that, although the company had a United States address, the company was based in a foreign country. Since this study specifically addresses business professionals' perceptions of

multidisciplinary practices in the United States, it was considered necessary to eliminate this company from the study. The addresses and/or addressees of the other three undeliverable instruments were corrected and included in the second mailing.

A second mailing of 2,978 instruments was made during the second week of February, 2003. With the exception of the 22 companies omitted for the reasons mentioned previously, the recipients of this mailing were the same as those selected for the first mailing. A total of 166 (5.57%, cumulative 10.23%) responses were received between February 26, 2003, and April 1, 2003. Of these responses, two participants returned the research instrument without answering any of the questions and indicated that they did not wish to participate in the study. Four research instruments were returned as undeliverable, but none of these instruments were the same as those returned in the first mailing. Thirteen participants requested a summary of the results of the study. Therefore, the second mailing produced a total of 164 (5.50%, cumulative 9.93%) useable responses. A summary of this discussion is provided in Table 4-1.

Table 4-2 presents the response rates by treatment levels (assigned firm type). Panel A of the table presents information related to the CPA firm type from each mailing and in total. Panels B and C present similar information for the LAW and MDP firm types, respectively. As can be seen in this table, approximately the same number of each version of the research instrument was returned for both the first (CPA-51, LAW-53, and MDP-37) and second (CPA-63, LAW-56, and MDP-47) mailings. The overall response rate for the second mailing (CPA-6.32%, LAW-5.66%, and MDP-4.74%) was slightly higher than the response rate for the first mailing (CPA-5.10%, LAW-5.30%, and MDP-3.70%) for each firm type. None of the differences presented in the table is statistically significant.

Data Screening

Prior to analysis, the data was analyzed for data-entry errors, missing values, and outliers. The data was examined both visually and with the assistance of frequency tables prepared using SPSS. Nine values were discovered that were outside the valid range of responses used on the research instrument (i.e., 1 through 9). The actual research instruments were reviewed, and in all nine cases data-entry errors accounted for the invalid values. These

values were corrected to correspond with the actual responses of the participants.

A total of five participants failed to respond to one or more of the questions in Part I of the research instrument. Since the responses of these participants could not be included in the multivariate model, these responses were also excluded from analysis. Omitting these cases reduced the useable responses from 298 to 293 for the analyses related to the questions in Part I of the research instrument.

A total of eleven participants failed to answer one or more of the questions in Part II of the research instrument. In fact, nine participants failed to provide data for any of the questions in Part II. One participant answered all of the questions except one, and another participant answered only one of the questions. Since the hypothesis related to the questions in Part II of the research instrument related to an overall perception of the characteristics of a designated firm type, all eleven incomplete responses were eliminated from this portion of the analysis. Since nine of these participants provided no information and one participant provided only one answer, elimination of these eleven participants omitted very

little of the actual information gathered. This procedure reduced the useable number of responses for questions related to Part II of the research instrument from 298 to 287.

The data was evaluated for outliers by conducting a discriminant analysis. The firm type assigned to each participant was used as the grouping variable, and the five variables related to each participant's likelihood of using an assigned firm type were used as the independent variables (i.e., the variables from Part I of the research instrument). Mahalanobis distance was used to determine group membership.

Classification accuracy was 92.7% for those assigned to the CPA firm type, 91.5% for those assigned to the LAW firm type, and 57.7% for those assigned to the MDP firm type. Overall classification accuracy was 82.9%. Of the fifty cases incorrectly classified, thirty-three were in the MDP firm type. This is not surprising when one considers that multidisciplinary practices combine many of the characteristics and capabilities of accounting and law firms.

Additional discriminant analyses were also conducted. First, the six variables in Part II of the research

instrument were used as the independent variables. The classification accuracy was similar to, although not as accurate as, the results mentioned previously (CPA firm type-60.7%, LAW firm type-54.3%, and MDP firm type-22.4%). Once again, this is not surprising since the characteristics represented in Part II of the research instrument should transcend professional affiliation and type of firm.

A final discriminant analysis was conducted using all of the variables in Parts I and II of the research instrument and the size variables as independent variables. Classification accuracy for this method was almost identical to using only the variables from Part I of the research instrument (CPA firm type-92.5%, LAW firm type-91.3%, and MDP firm type-56.8%).

These results indicated that the data were fairly homogeneous. Although a discriminant analysis of the demographic variables did not converge, these factors are not of primary importance. Therefore, non-convergence of the demographic variables was not considered to be a significant hindrance to the data analysis in this study. Based upon these results, it was concluded that outliers were not likely to be a significant problem.

Tests for Non-Response Bias

Prior to analysis, the data was also analyzed for potential non-response bias. The 134 participants who responded to the first mailing were compared to the 164 participants who responded to the second mailing. Specifically, early and late respondents were dummy coded (0 and 1, respectively) and used as the independent variable in a series of T-tests and chi-squared tests. Participant's responses were eliminated on a pairwise basis; therefore, all participants who provided a response on a variable were included in the test related to that variable. This was considered appropriate to determine whether or not early responders did significantly differ from late responders without regard to completion of the entire research instrument.

Twenty-two T-tests were conducted on 22 different dependent variables. These variables included FIRMTYPE, AFFIL, YRS_HELD, the five dependent variables from Part I of the research instrument, the six dependent variables from Part II of the research instrument, the four firm size variables, and the four dichotomized firm size variables. The results of these tests and their respective significance levels are shown in Table 4-3.

As can be seen in the table, none of the variables was significantly different between the early and late responders with the exception of the variables TRUST and ETHICS. It is not surprising that these variables would have similar results because the concepts represented by these variables are very similar. In fact, the correlation between the two variables is significant ($p < .001$). However, at a significance level of $\alpha = .05$, one would expect approximately one significant difference to occur by chance out of every 20 tests performed. Therefore, it is not unreasonable to conclude that the significant difference on the ETHICS and TRUST variables is spurious. Based upon this analysis, the tests for non-response bias were not considered to inhibit the reliability of combining the responses into a single data set for further analysis.

Demographic Characteristics

Six demographic characteristics were collected from each participant. These characteristics include professional affiliation (AFFIL), the number of years a professional certification has been held (YRS_HELD), the number of employees at the company (EMPLOYEE), the annual sales volume of the company (SALES), the largest law firm used regularly (BIG_LAW), and the largest accounting firm

used regularly (BIG_ACCT). The first of these demographic variables (AFFIL) was collected as a measure for professional affiliation, an independent variable in the study. The second demographic variable (YRS_HELD) was collected for use as a covariate in the MANCOVA model. The final four variables (EMPLOYEE, SALES, BIG_LAW, and BIG_ACCT) were used as measures of company size, another independent variable in the study.

Professional Certification. Panel A of Table 4-4 presents the professional certification(s) of the participants both overall and by treatment level. Since participants could indicate more than one certification, the total number of responses to this question exceeds the number of participants. For this reason, percentages for each certification are not indicated.

The primary certifications of interest in this study were the CPA certificate and the bar license. Four participants indicated that they held both a CPA certificate and a bar license. A total of 114 participants indicated that they held only a CPA certificate and 102 participants indicated that they held only a bar license. Because the sample selection process was limited to CFOs and general counsels, it is not surprising that the

majority of participants held one of these two certifications. Panel B of Table 4-4 summarizes all participants into the categories of CPA, attorney, both, or neither.

Participants who indicated that they held both a CPA certificate and a bar license were not numerous enough to be treated as a statistically valid group. Therefore, alternative methods of classifying these participants were considered. The alternatives included classifying these participants as CPAs, classifying these participants as attorneys, dividing these participants between the CPA and attorney classification, or deleting these participants from the statistical analyses.

In all four cases, the participant had held the CPA certification longer than the bar license. However, all four participants also indicated that their job title was general counsel. Therefore, the participants could not be split between the CPA and attorney categories based upon the certification they had held for the longer time or their job title since these two would indicate conflicting classifications. Random assignment either to CPA or to attorney classification was also not desirable since all four of these participants had completed the same version

of the research instrument (i.e., LAW firm type). Random assignment could have altered cell counts by as much as 10%.

Based upon examination of these factors, it was determined that there was no rational or reliable way to segregate these cases between CPA and attorney participants. In addition, it was determined that there were not enough cases to treat these participants as their own group. Therefore, responses from these four participants were eliminated from the statistical analyses to prevent the risk of invalidating the analyses because of random assignment of these cases to either the CPA or attorney categories. Because all four of these participants completed the entire survey, the number of useable responses for all variables was evenly reduced by four (with the exception of FIRMTYPE where the effect was concentrated in the LAW firm type).

Participants also indicated other categories of certification. Although not a "certification," 86 participants indicated that they held an MBA. Four participants indicated that they held the CMA certificate, and two participants indicated that they held the professional engineer (PE) designation. Ten participants

indicated other miscellaneous certifications and academic degrees, and 35 participants did not indicate that they held any professional certifications or academic degrees. These less numerous certifications are shown in Panel A of Table 4-4 which provides a listing of all responses.

Years Professional Certification Held. This variable was included to indicate the degree to which business professionals might be dedicated to their own professions' views. Specifically, this variable was included to determine whether or not the years of affiliation with either the accounting or legal profession influenced the likelihood of following the public position of each of these professions with regard to multidisciplinary practices. Thus, for purposes of this study years of affiliation was determined to be important only for those participants who indicated that they held either a CPA certificate or a bar license. However, since 86 participants indicated that they held an MBA, this category is shown in Table 4-5 along with those who held CPA certificates and bar licenses. Because an MBA is not a form of certification, the description is rephrased as professional designations.

Since this was a free-form question, answers were not ranges but actual years during which the participant had held a particular professional designation. Responses to this question ranged from 2 to 37 years. Table 4-5 shows the means and standard deviations for the years each professional designation was held by designation and assigned FIRMTYPE. Grand means and standard deviations for each designation and for each FIRMTYPE are also presented. Inspection of the data in Table 4-5 shows that the number of years that a participant held a professional designation was approximately the same across firm types. Table 4-5 includes all 298 participants to give the most complete representation of the participants' demographic characteristics. The effectiveness of using years held as a covariate will be discussed later in this chapter.

Number of Employees. The size variable EMPLOYEE was measured in five intervals: less than 500; 500-1,999; 2,000-4,999; 5,000-9,999; and over 10,000. For analysis, these levels were also dichotomized into small (fewer than 500 employees) and large (500 or more employees). This dichotomization also corresponds with the general definition of a "small" business according to the Small Business Administration (SBA 2002). Summary data

categorized by firm type is presented in Table 4-6. Panel A shows the data using all five categories, and Panel B shows the dichotomized data. All 298 participants were included in Table 4-6 to give the most complete representation of the participants' demographic characteristics.

Annual Sales Volume. The size variable SALES was also measured in five intervals: less than \$1 million, \$1 million to \$99.99 million, \$100 million to \$499.99 million, \$500 million to \$999.99 million, and over \$1 billion. For analysis, these levels were also dichotomized into small (less than \$100 million) and large (\$100 million or more). Summary data categorized by firm type is presented in Table 4-7. Panel A shows the data using all five categories, and Panel B shows the dichotomized data. All 294 participants who responded to the SALES variable were included in Table 4-7 to give the most complete representation of the participants' demographic characteristics.

Largest Law Firm Used Regularly. The size variable BIG_LAW was measured in four intervals: local, regional, national, and international. For analysis, these levels were dichotomized into small (local and regional) and large (national and international). Summary data categorized by

firm type is presented in Table 4-8. Panel A shows the data using all four categories, and Panel B shows the dichotomized data. All 298 participants were included in Table 4-8 to give the most complete representation of the participants' demographic characteristics.

Largest Accounting Firm Used Regularly. The size variable BIG_ACCT was also measured in four intervals: local, regional, national, and international. For analysis, these levels were dichotomized into small (local, regional, and national) and large (international). Summary data categorized by firm type is presented in Table 4-9. Panel A shows the data using all four categories, and Panel B shows the dichotomized data. All 296 participants who indicated the size of the largest accounting firm used regularly by their company were included in Table 4-9.

Descriptive Statistics and Analysis of Covariate

This section presents selected descriptive statistics related to the data collected. This data is further subdivided, where appropriate, into CPA and attorney responses. An analysis of the effectiveness of the covariate (number of years a professional credential has been held) is also included in this section.

Descriptive Statistics

Service Use Variables. The means, standard deviations and number of valid responses for the five service use variables from Part I of the research instrument (i.e., TRADE, TAX, LITIGATE, MERGERS, and AUDITS) are presented in Table 4-10. Responses could vary between 1 (low likelihood of use) and 9 (high likelihood of use). Table 4-10 shows these statistics for each variable segmented by the firm type to which participants were assigned. Table 4-11 further segments the data to show these statistics for each participant type (CPA, attorney, and neither) within each assigned firm type. Because not all participants answered all of the service use questions, the N for each service type is not the same. All participants who responded to a given variable were included to present the most complete description of the participants' demographic characteristics.

Characteristics Variables. The means, standard deviations, and number of valid responses for the six characteristics variables from Part II of the research instrument (i.e., KNOW_EXP, ADVOCACY, FEES, VALUE, ETHICS, and TRUST) are presented in Table 4-12. Once again responses could vary between 1 (low rating of

characteristic) and 9 (high rating of characteristic). Panel A of the table presents these statistics for each variable segmented by the firm type to which participants were assigned, and Panel B of the table further segments the data to show these statistics for CPAs and attorneys (only) within each assigned firm type. Because not all participants answered all of the characteristics questions, the N for each characteristic is not the same.

Analysis of the Covariate

The covariate used in this study was the number of years a participant had held a professional certification. This variable was primarily of interest for CPA and attorney participants, but other participants indicated the years for which other certifications and academic degrees were held. To fully examine the effectiveness of the covariate, the covariate was measured and tested in three ways. First, the covariate included only the years for which the 214 CPA and attorney participants had held their respective certifications. As indicated previously, participants who held both certifications were omitted from the analysis. Next, the covariate was expanded to include all possible participants (including those who were both CPAs and attorneys). Only those who failed to indicate the

number of years for which they had held their respective professional certifications or academic degrees were omitted. Participants who did not indicate a professional certification or academic degree were appropriately treated as having held a certification or degree for zero years. This procedure resulted in the inclusion of 264 participants. For participants who held multiple certifications or degrees, the largest number of years was used. The third analysis considered the covariate with regard to CPA and attorney participants separately.

Since there were two groups of dependent variables, those from Part I and those from Part II of the research instrument, two MANOVAs were conducted to determine whether or not either of the two versions of the covariate had any significant effect on the dependent variables. Therefore, a total of eight MANOVAs were conducted crossing each of the two sets of dependent variables with CPA and attorney participants, with all participants, with only CPA participants, and with only attorney participants. MANOVA was used because a high degree of correlation was expected among the dependent variables. The significance of Bartlett's test ($p < .001$) confirmed this expectation.

In the first MANOVA, participants' ratings on the five service use variables (i.e., TRADE, TAX, LITIGATE, MERGERS, and AUDITS) were entered and the covariate for CPAs and attorneys only was included as an independent variable. Using Wilks' lambda, the number of years a CPA or attorney participant had held a professional certification did not significantly effect responses on the service use variables ($p=.193$). A second MANOVA was performed using the five service use variables and all participants. This result also indicated no significant effect ($p=.729$) of years held on the participants' responses.

The third MANOVA used participants' ratings on the six characteristics variables (i.e., KNOW_EXP, ADVOCACY, FEES, VALUE, ETHICS, and TRUST) along with the covariate for CPAs and attorneys only. Once again, years held had no significantly effect on participants' responses ($p=.082$). The results of the fourth MANOVA using the six characteristics variables and all participants also indicated no significant effect ($p=.282$) of years held on the participants' responses.

As additional tests of covariate, the CPA participants and the attorney participants were separated, and individual MANOVAs were also conducted on each of these

groups. These MANOVAs were conducted in the same manner as the previous tests, but only CPA (or attorney) participants were included. These additional procedures were conducted to determine whether or not the number of years one had held a professional designation might have had a significant effect within either the accounting or legal profession in isolation. The results of these additional procedures indicated that the covariate still had no significant effect on the responses of CPA participants or attorney participants. Thus, because the number of years a participant held a professional credential (or academic degree) was determined to have no significant effect on either set of dependent variables, the covariate was omitted from further analysis.

Presentation of Results

The first ten hypotheses relate to the five service use variables from Part I of the research instrument. Specifically, hypotheses one through six require contrasts of specific levels of the FIRMTYPE variable. Hypotheses seven and eight refer to interaction and contrast effects related to the AFFIL variable. Hypotheses nine and ten refer to main and interaction effects related to the

EMPLOYEES variable. Hypothesis eleven relates to the six characteristics variables found in Part II of the research instrument. This hypothesis requires contrasts of specified levels of the AFFIL variable. To prevent the presentation of contrasts before the overall MANOVA, the results of all tests are presented in this section. The following section will address each hypothesis and will refer back to the results presented in this section.

Service Use Variable Results

After elimination of the covariate, number of years a participant held a professional designation, the 3-way MANCOVA model was reduced to a 3-way MANOVA. The results of the MANOVA for the five, service use variables are presented in Table 4-13. Both FIRMTYPE ($p < .001$) and AFFIL ($p = .026$) had a significant effect on the likelihood that participants would use their assigned FIRMTYPE for each of the five specified services. The observed power for each of these variables was also well within acceptable limits (FIRMTYPE=1.000; AFFIL=0.896). The size variable, EMPLOYEES, not did have a significant effect ($p = .093$) on participants' responses. The interaction between FIRMTYPE*AFFIL ($p < .001$) also had a significant effect on participants' responses, and the observed power of this

test (0.995) was also above the .80 threshold. None of the other interaction effects were significant.

Although the overall MANOVA effects were significant for FIRMTYPE, AFFIL, and FIRMTYPE*AFFIL, the specific source for this significance must be investigated by means of individual ANOVAs. The results of the individual ANOVAs for these three significant MANOVA effects are presented in Table 4-14. With regard to the FIRMTYPE variable, all five dependent variables exhibited a strongly significant effect on participants' responses (TRADE $p < .001$, TAX $p = .001$, LITIGATE $p < .001$, MERGERS $P = .001$, and AUDITS $p < .001$). In addition, the observed power for all five dependent variables was above the .80 threshold (TRADE=1.000, TAX=0.948, LITIGATE=1.000, MERGERS=0.921, and AUDITS=1.000). For the AFFIL variable, two dependent variables, LITIGATE $p = .001$ and MERGERS $p = .022$) exhibited a significant effect on participants responses. With respect to the FIRMTYPE*AFFIL interaction, three of the dependent variables (TAX $p < .001$, MERGERS $p = .018$, and AUDITS $p = .007$) showed a significant influence on participants' responses.

When interaction effects are significant, the interpretation of main effects may be confounded by the presence of these interaction effects. In the present

study, hypothesis testing (H_1 - H_7 and H_{11}) was based upon 2-group contrasts rather than main effects. Thus, the 2-way interaction effects across all three subject groups included variance not present in the 2-group contrasts. Nevertheless to ensure that hypotheses one through seven and eleven were interpreted correctly, individual subject groups were examined. The results of these additional procedures supported the interpretation of the 2-group contrast results discussed in the following sections.

Because hypotheses one through seven proposed *a priori* contrasts among specified levels of the independent variables, these contrasts were conducted without adjusting the overall α level for the tests. Protection from inflation of family-wise Type I error rate was also provided by the fact that the number of contrasts specified was less than the degrees of freedom available for the omnibus F test (Tabachnick & Fidell, 1996).

The results of contrasts for all levels of the FIRMTYPE variable across each of the five dependent variables are presented in Table 4-15. The results of contrasts for all levels of the AFFIL variable across each of the five dependent variables are presented in Table 4-16. Only the six FIRMTYPE contrasts and the five AFFIL

contrasts that were specified *a priori* will be discussed in the hypotheses section. These are the only contrasts for which the use of an α level of .05 is appropriate. The α level for all other contrasts should be adjusted to protect from inflation of the family-wise Type I error rate. These additional contrasts are presented for comparison only, and (with the exception of comparison with the ICPAS study) they will not be discussed.

Characteristics Variables Results

The only hypothesis related to the characteristics variables requires a contrast of specified levels of the AFFIL variable. For completeness, the full MANOVA results are presented in Table 4-17 followed by ANOVA analyses of significant MANOVA effects in Table 4-18. Contrasts for all levels of the FIRMTYPE variable across the six characteristics variables are presented in Table 4-19.

Table 4-17 shows that FIRMTYPE ($p=.001$) and AFFIL ($p=.021$) had a significant effect on participants' responses on the six characteristics variables. The power of these tests was also above the .80 threshold (FIRMTYPE=0.984 and AFFIL=0.928). Investigating these effects, Table 4-18 reveals that for FIRMTYPE, three dependent variables (ADVOCACY $p=.016$, ETHICS $p=.012$), and

TRUST $p=.009$) had a significant effect on participants' responses. However, the observed power of these tests fell within the .70 to .80 range (ADVOCACY=0.732, ETHICS=0.765, and TRUST=0.795). With respect to AFFIL, none of the dependent variables showed a significant effect on participants' responses. This is not surprising given that the highest observed power among these tests was 0.456. The contrast results in Table 4-19 reveal that business professionals differ in their perception of CPAs and attorneys only with respect to ADVOCACY ($p=.004$).

Hypothesis Testing

This section presents each hypothesis and provides the outcome of the tests performed. All analyses referred to in this section were presented in the prior section. A summary of the findings for each hypothesis is provided in Table 4-20.

Hypothesis One (H_1)

Hypothesis one was stated as follows:

H_1 : There will be no significant difference between a business professional's preference for using a CPA firm or a multidisciplinary practice to perform financial statement audits.

This hypothesis was examined by a contrast of participant's responses to the AUDITS dependent variable at two levels of the FIRMTYPE variable, CPA firm and MDP firm. This analysis (Table 4-15) reveals that business professionals show a significant preference ($p < .001$) for CPA firms (mean=8.41), as opposed to MDP firms (mean=5.11), for assistance with financial statement audits, as expected. Because these results indicate that business professionals do exhibit a significant preference when choosing between a CPA firm and an MDP firm for assistance with financial statement audits, hypothesis one was rejected.

Hypothesis Two (H₂)

Hypothesis two was stated as follows:

H₂: There will be no significant difference between a business professional's preference for using a law firm or a multidisciplinary practice to perform litigation.

This hypothesis was examined by a contrast of participant's responses to the LITIGATE dependent variable at two levels of the FIRMTYPE variable, LAW firm and MDP firm. This analysis (Table 4-15) reveals that business professionals show a significant preference ($p < .001$) for LAW firms (mean=8.44), as opposed to MDP firms (mean=4.41), for assistance with litigation, as expected. Because these results indicate that business professionals do exhibit a

significant preference when choosing between a LAW firm and an MDP firm for assistance with litigation, hypothesis one was rejected.

Hypothesis Three (H₃)

Hypothesis three stated:

H₃: There will be no significant difference between a business professional's preference for using a CPA firm or a multidisciplinary practice for representation before taxing authorities.

This hypothesis was examined by a contrast of participant's responses to the TAX dependent variable at two levels the of the FIRMTYPE variable, CPA firm and MDP firm. This analysis (Table 4-15) reveals that business professionals do not show a significant preference ($p=.439$) between CPA firms (mean=6.27) and MDP firms (mean=6.48) for representation before taxing authorities. Because these results indicate that business professionals do not exhibit a significant preference when choosing between a CPA firm and an MDP firm for representation before taxing authorities, the study failed to reject hypothesis three.

Hypothesis Four (H₄)

Hypothesis four stated:

H₄: There will be no significant difference between a business professional's preference for using a law firm or a multidisciplinary practice for assistance in trade regulation and interstate commerce issues.

This hypothesis was examined by a contrast of participant's responses to the TRADE dependent variable at two levels the of the FIRMTYPE variable, LAW firm and MDP firm. This analysis (Table 4-15) reveals that business professionals show a significant preference ($p < .001$) for LAW firms (mean=6.28), as opposed to MDP firms (mean=4.52), for assistance with trade regulation and interstate commerce issues, as expected. Because these results indicate that business professionals *do* exhibit a significant preference when choosing between a LAW firm and an MDP firm for assistance with trade regulation and interstate commerce issues, hypothesis four was rejected.

Hypothesis Five (H₅)

Hypothesis five was stated as follows:

H₅: There will be no significant difference between a business professional's preference for using a CPA firm or a multidisciplinary practice for assistance with mergers and acquisitions.

This hypothesis was examined by a contrast of participant's responses to the MERGERS dependent variable at two levels the of the FIRMTYPE variable, CPA firm and MDP firm. This analysis (Table 4-15) reveals that business professionals show a significant preference ($p=.033$) for MDP firms (mean=5.59), as opposed to CPA firms (mean=5.00), for assistance with mergers and acquisitions. This finding was unexpected; nevertheless, because these results indicate that business professionals do exhibit a significant preference when choosing between a CPA firm and an MDP firm for assistance with mergers and acquisitions, hypothesis five was rejected.

Hypothesis Six (H_6)

Hypothesis six was stated as follows:

H_6 : There will be no significant difference between a business professional's preference for using a law firm or a multidisciplinary practice for assistance with mergers and acquisitions.

This hypothesis was examined by a contrast of participant's responses to the MERGERS dependent variable at two levels the of the FIRMTYPE variable, LAW firm and MDP firm. This analysis (Table 4-15) reveals that business professionals do not show a significant preference ($p=.293$) for LAW firms (mean=6.37), as opposed to MDP firms (mean=5.59), for

assistance with mergers and acquisitions. Because these results indicate that business professionals do not exhibit a significant preference when choosing between a LAW firm and an MDP firm for assistance with mergers and acquisitions, the study failed to reject hypothesis six.

Hypothesis Seven (H₇)

Hypothesis seven, which relates to the contrast between CPA and attorney participants on the five service use variables, was stated as follows:

H₇: There will be no significant difference between the way in which CPAs and attorneys evaluate business service firms.

The significant ($p=.026$) main effect of AFFIL on the five service use variables is shown in Table 4-13. Reviewing Table 4-16 shows that CPAs and attorneys responded significantly differently with respect to the variables LITIGATE ($p<.001$) and MERGERS ($p=.006$). In both cases, the means for CPA participants were higher than the means for attorney participants (LITIGATE, CPA-5.49 and attorney-4.73; and MERGERS CPA-6.23 and attorney-4.94). Based upon the results of these tests, hypothesis seven was partially rejected with respect to LITIGATE and MERGERS only; and the study failed to reject hypothesis seven with respect to AUDITS, TAX, and TRADE.

Hypothesis Eight (H₈)

Hypothesis eight, which relates to the interaction effect between the AFFIL variable and the FIRMTYPE variable with respect to the five service use variables, was stated as follows:

H₈: The interaction between the type of firm evaluated and the participant's professional affiliation will not be significant.

Table 4-13 reveals that the FIRMTYPE*AFFIL interaction had a significant effect ($p < .001$) on the participants' responses. Based upon the results of this comparison, hypothesis eight was rejected: participant's responses do differ depending upon professional affiliation (or lack thereof) and the type of firm under evaluation.

Univariate ANOVAs were conducted to determine on which variable, or variables, business professionals differed. The results of these ANOVAs are presented in Table 4-14. The FIRMTYPE*AFFIL interaction effect had a significant effect on participants' responses with respect to the variables TAX ($p < .001$), MERGERS ($p = .018$), and AUDITS ($p = .007$). The interaction effect did not have a significant effect on TRADE ($p = .927$) or LITIGATE ($p = .171$).

Because hypothesis eight addresses a 2-way interaction effect, a graph of the marginal means by FIRMTYPE and AFFIL is helpful for analysis. In addition, an examination of

the numeric values of the marginal means is also useful. These two methods of evaluation are summarized together in Figures 4-1 through 4-5. The graphs correspond to the marginal means for TRADE, TAX, LITIGATE, MERGERS, and AUDITS, respectively. Although the FIRMTYPE*AFFIL interaction effects on the variables TRADE and LITIGATE were not significant, the graphs for these variables are included and discussed for comparative purposes. The non-CPA/non-attorney participant group is labeled as "Neither" for purposes of the figures. Bonferroni adjusted *post hoc* tests were conducted across the three levels of AFFIL (within each FIRMTYPE) to determine whether or not any of the participant groups differed significantly in their responses.

Figure 4-1 (TRADE) displays graphically what the MANOVA analysis already confirmed—CPAs, attorneys, and non-CPAs/non-attorneys all rate CPA firms, LAW firms, and MDP firms similarly. There were no significant differences among any of the responses of the participant groups. The general trend in the data indicates that all participants would be most likely to use a LAW firm and least likely to use a CPA firm for assistance with interstate commerce and trade regulation.

An examination of Figure 4-2 (TAX) reveals that CPA ($p < .001$) and non-CPA/non-attorney ($p < .001$) participants were significantly more likely to use a CPA firm for representation before taxing authorities than were attorney participants. Attorneys ($p = .011$) were significantly more likely than CPA participants to use a LAW firm for representation before taxing authorities. None of the other differences among the three groups were significant. The general trend of the data indicates that CPAs and non-CPAs/non-attorneys prefer CPA firms and that attorneys prefer LAW firms for tax representation.

Figure 4-3 (LITIGATE) shows that all three participant groups responded similarly. However, CPA and attorney participants did differ significantly in their preferences for CPA firms and MDP firms. Specifically, CPAs were significantly more likely to use CPA firms ($p = .024$) and MDP firms ($p < .001$) than were attorneys. Nevertheless, all three groups were most likely to use a LAW firm for assistance with litigation.

Only attorneys showed a noticeable preference for the type of firm they would prefer for assistance with mergers and acquisitions (see Figure 4-4). Interestingly, CPAs and non-CPAs/non-attorneys indicated almost no preference

whatsoever among the three firm types. Attorneys ($p < .001$) were significantly less likely than CPAs to use a CPA firm for assistance with mergers and acquisitions. Attorneys were also significantly less likely than either CPAs ($p = .001$) or non-CPAs/non-attorneys ($p = .004$) to use an MDP firm for assistance with mergers and acquisitions. Thus, it appears that only attorneys have a preference for a specific firm type in the area of mergers and acquisitions. None of the other differences were significant.

Finally, Figure 4-5 (AUDITS) shows that all participant groups were most likely to use a CPA firm for the provision of financial statement audits. Interestingly, attorneys ($p = .002$) were significantly more likely than CPAs to use a LAW firm for financial statement audits. None of the other differences were significant.

Hypothesis Nine (H₉)

Hypothesis nine was stated as follows:

H₉: There will be no significant difference between the way in which business professionals from smaller companies and larger companies evaluate business service firms.

A review of Table 4-13 shows that the EMPLOYEES variable ($p = .093$) did not have a significant effect on participants' responses. Therefore, the study failed to reject

hypothesis nine: there is no significant difference between the way in which business professionals from smaller companies and larger companies evaluate business service firms.

Hypothesis Ten (H₁₀)

Hypothesis ten was stated as follows:

H₁₀: The interaction between the type of firm evaluated and the size of the participant's company will not be significant.

A review of Table 4-13 shows that the interaction between AFFIL*EMPLOYEES (p=.197) did not have a significant effect on participants' responses. Therefore, the study failed to reject hypothesis ten: there is no significant interaction between the type of firm evaluated and the size of the participant's company with regard to the five service use variables.

Hypothesis Eleven (H₁₁).

Hypothesis eleven stated:

H₁₁: There will be no significant difference between the business professionals' perceptions of CPAs and attorneys on any of the six characteristics variables.

This hypothesis involved specific contrasts between participants' perceptions of CPAs and attorneys on each of the characteristics variables. Perceptions of the CPA firm

type and the LAW firm type were used as proxies for the participant's perceptions of CPAs and attorneys, respectively. Table 4-19 reveals that the only significant contrast between the CPA firm type and the LAW firm type was for the variable ADVOCACY ($p=.004$). Based upon this analysis, hypothesis eleven was rejected with respect to ADVOCACY only; and the study failed to reject hypothesis eleven with respect to KNOW_EXP, FEES, VALUE, ETHICS, and TRUST.

Additional Analyses and Procedures

This section explores the data to validate the relationships reported in the ICPAS study. Although these comparisons were not a focal point of this study, they do serve to extend the results of the ICPAS study from smaller companies to larger companies. This section also uses scalar analysis to examine the data collected. These procedures were conducted to determine if there were any underlying constructs in the data that were not apparent when multiple variables were present. For purposes of potential future meta-analysis, a correlation table of all the continuous variables used in this study is presented in Table 4-21.

Validation and Extension of the ICPAS Study

The ICPAS study reported that small businesses preferred CPA firms, as opposed to law firms, for the provision of financial statement audits and representation before taxing authorities. These two services were labeled, respectively, as "exclusive" and "dominant" accounting services. The ICPAS study also indicated that small businesses preferred law firms, as opposed to CPA firms, for the provision of litigation and trade regulation/interstate commerce. Once again, these two services were labeled, respectively, as "exclusive" and "dominant" legal services. Small businesses were equally likely to select a CPA firm or a law firm for assistance with mergers and acquisitions.

To test these relationships, five additional contrasts were conducted on the FIRMTYPE variable. In all five contrasts, the dependent variable of interest was contrasted between the CPA firm and LAW firm treatment levels. Although the ICPAS study did not include professional affiliation and size of the participant's firm in its analysis, these variables were included in the current analysis.

A review of Table 4-15 reveals that all five contrasts between CPA firms and LAW firms were significant (TRADE, $p < .001$; TAX, $p = .002$; LITIGATE, $p < .001$; MERGERS, $p < .001$; and AUDITS, $p < .001$). As expected, CPA firms were significantly preferred for AUDITS and TAX; and LAW firms were significantly preferred for LITIGATE and TRADE. LAW firms were also significantly preferred for MERGERS. Although the split between CPAs and attorneys was not perfect in the ICPAS study (i.e., CPA-10.5%, attorney-19.5%, either/both-69.1%), the large number of "either/both" responses would indicate that the majority of small businesses would be equally likely to use a CPA or an attorney for assistance with mergers and acquisitions. It is possible that the difference between CPA firms and LAW firms was significant in the ICPAS study but was not tested. It is also possible that the additional explanatory variables, the larger sample size, or the inclusion of larger companies in the present study may have enhanced the difference between participants' use of CPA firms and LAW firms for assistance with mergers and acquisitions.

Exploratory Scalar Analysis

Service use variables-Additive Scalar Scores. The ratings of each participant on each of the five service use

variables were summed, and this summed score was used as the dependent variable in an ANOVA that included FIRMTYPE and AFFIL as independent variables. Similar to the non-scalar results, FIRMTYPE, AFFIL, and FIRMTYPE*AFFIL were each significant ($p < .001$ for all three effects). When examined in this way, the professional biases are further enhanced.

As can be seen in Figure 4-6, the mean plot by FIRMTYPE and AFFIL indicates that attorneys prefer law firms overall. In addition, contrasts among the participant groups reveal that attorneys respond significantly differently from either CPAs ($p < .001$) or non-CPAs/non-attorneys ($p = .010$). This is not surprising when one recalls that attorneys preferred law firms for almost all of the services included in this study.

Service use variables-Principal Components Scalar Scores. The ratings of each participant on each of the five service use variables were also subjected to a principal components analysis using varimax rotation. This procedure resulted in two factors that explained approximately 77% of the variance in the original variables. The first factor had an eigenvalue of 2.25, and the second factor yielded an eigenvalue of 1.58. The

rotated component matrix and the component scores coefficient matrix are presented in Table 4-22. The data was thus reduced to two independent scalar scores, one on each axis. Litigation, trade regulation/interstate commerce, and audits loaded most heavily on factor 1. Because each of these services demands a great deal of specialization, factor one will be referred to as the Specialized factor. Tax representation and mergers/acquisitions, services that both CPAs and attorneys are able to provide, loaded most heavily on factor 2. Therefore, factor 2 will be called the Generalized factor.

These two scalar scores were used as the dependent variables in a MANOVA that included FIRMTYPE and AFFIL as independent variables. Similar to the non-scalar results, FIRMTYPE, AFFIL, and FIRMTYPE*AFFIL were each significant ($p < .001$ for all three effects). When examined in this way, the differences among the firm types are further enhanced. Student-Newman-Keuls (SNK) *post hoc* analysis on the Specialized factor separates the three firm types into three different groups. CPA firms have a negative mean value (-.935, similar to AUDITS), MDP firms have a mean value close to zero (-.051, similar to tax representation and mergers/acquisitions), and LAW firms have a positive

mean value (1.038, similar to trade regulation/interstate commerce and litigation). SNK analysis of the Generalized factor separates CPA firms and MDP firms from LAW firms. This indicates that CPA firms and MDP firms are perceived to be too generalized to provide some of the services that LAW firms offer.

Figure 4-7 illustrates the differences by FIRMTYPE and AFFIL on the Specialized factor. Although this factor clearly separates the three firm types, the responses of all three participant groups were similar. Figure 4-8 presents the differences by FIRMTYPE and AFFIL on the Generalized factor. This figure clearly shows the interaction between FIRMTYPE and AFFIL as CPAs show a strong preference for CPA firms and MDP firms while attorneys exhibit a strong preference for LAW firms only. Non-CPAs/non-attorneys respond more closely to the pattern shown by CPA participants.

Characteristics Variables-Additive Scalar Scores. The ratings of each participant on each of the six characteristics variables were summed, and this summed score was used as the dependent variable in an ANOVA that included FIRMTYPE and AFFIL as independent variables. FIRMTYPE ($p=.011$) and FIRMTYPE*AFFIL ($p<.001$) were each

significant, but AFFIL was not significant ($p=.143$). When examined in this way, the participants' similar perceptions of CPAs and attorneys are reinforced.

Contrasts of the FIRMTYPE variable show that CPA firms and LAW firms are perceived differently than MDP firms. Interestingly, Figure 4-9 shows that attorneys are the only group that showed a strong disregard for multidisciplinary practices. Perhaps this response has been ingrained via the public stance taken by the ABA on multidisciplinary practices.

Characteristics Variables-Principal Components Scalar Scores. The ratings of each participant on each of the six characteristics variables were also subjected to a principal components analysis using varimax rotation. This procedure resulted in a one-factor solution (eigenvalue 3.65) that explained approximately 61% of the variance in the original variables. Because only one factor was extracted, the unrotated component matrix (instead of the rotated component matrix) and the component scores coefficient matrix are presented in Table 4-23.

The scalar score obtained via principal components analysis was used as the dependent variable in an ANOVA that included FIRMTYPE and AFFIL as independent variables.

FIRMTYPE ($p=.005$) and FIRMTYPE*AFFIL ($p<.001$) were each significant, but AFFIL was not significant ($p=.129$). The differences between CPA firms and MDP firms and between LAW firms and MDP firms were further enhanced by this analysis. Student-Newman-Keuls (SNK) *post hoc* analysis separates the three firm types into two different groups. CPA firms and LAW firms were in one group, and MDP firms were in the other group. Figure 4-10 shows a very similar pattern to the one displayed in Figure 4-9. CPA firms and LAW firms are perceived as very similar, and CPAs and non-CPAs/non-attorneys perceive all firms to be about the same. Only the attorney participants deviate from this pattern by showing a strong disfavor for MDP firms.

Chapter Summary

This chapter discussed the procedures used to collect and analyze the data. Each of the eleven hypotheses was tested, and the findings of each hypothesis were presented. Also included in this chapter were exploratory analyses to extend and validate the ICPAS study and to examine the data using scalar scores. The following chapter interprets the results of this study. Chapter Five will also present some

limitations of the study and several suggestions for future research.

TABLE 4-1
RESPONSE RATES

	<u>First Mailing</u>		<u>Second Mailing</u>		<u>Total</u>	
Instruments Mailed	3,000	100%	2,978	100%	3,000	100%
Instruments Returned	141	4.70%	166	5.57%	307	10.23%
Unusable Instruments	(7)	(0.23%)	(2)	(0.07%)	(9)	(0.30%)
Useable Instruments	134	4.47%	164	5.50%	298	9.93%

Note: Although the second mailing was sent to only 2,978 of the original participants, the same participants were selected for both mailings. Therefore, the total number of participants remains 3,000.

TABLE 4-2
RESPONSE RATES BY FIRM TYPE

PANEL A-CPA FIRM TREATMENT						
	<u>First Mailing</u>		<u>Second Mailing</u>		<u>Total</u>	
Instruments Mailed	1,000	100%	997	100%	1,000	100%
Instruments Returned	51	5.10%	63	6.32%	114	11.40%
Unusable Instruments	(3)	(0.30%)	(0)	(0.00%)	(3)	(0.30%)
Useable Instruments	48	4.80%	63	6.32%	111	11.10%

PANEL B-LAW FIRM TREATMENT						
	<u>First Mailing</u>		<u>Second Mailing</u>		<u>Total</u>	
Instruments Mailed	1,000	100%	990	100%	1,000	100%
Instruments Returned	53	5.30%	56	5.66%	109	10.90%
Unusable Instruments	(1)	(0.10%)	(1)	(0.10%)	(2)	(0.20%)
Useable Instruments	52	5.20%	55	5.56%	107	10.70%

PANEL C-MDP FIRM TREATMENT						
	<u>First Mailing</u>		<u>Second Mailing</u>		<u>Total</u>	
Instruments Mailed	1,000	100%	991	100%	1,000	100%
Instruments Returned	37	3.70%	47	4.74%	84	8.40%
Unusable Instruments	(3)	(0.30%)	(1)	(0.10%)	(4)	(0.40%)
Useable Instruments	34	3.40%	46	4.64%	80	8.00%

Note: The second mailing was sent to only 2,978 of the original participants; however, the total number of participants remains 1,000 per research instrument version.

TABLE 4-3
TESTS BETWEEN EARLY AND LATE RESPONDERS

CATEGORICAL VARIABLES		
Variables of Interest:	χ^2 Value	Sig.
FIRMTYPE (CPA, LAW, MDP) (134/164)	.900	.638
AFFIL (CPA, Attorney, Neither) (133/161)	.395	.821
<u>Original Size Variables:</u>		
EMPLOYEE (134/164)	7.566	.109
SALES (133/161)	3.099	.541
BIG_LAW (134/164)	1.906	.592
BIG_ACCT (133/163)	3.493	.322
<u>Dichotomized Size Variables:</u>		
Big vs Small-Employee (134/164)	3.529	.060
Big vs Small-Sales (133/161)	.290	.590
Big vs Small-Law Firm Used (134/164)	.846	.358
Big vs Small-Acct Firm Used (133/163)	.482	.487
CONTINUOUS VARIABLES		
<u>Covariate:</u>	t-Score	Sig.
YRS_HELD (Years Held) (99/121)	-.328	.744
<u>Service Use Variables:</u>		
TRADE (134/161)	.982	.327
TAX (134/163)	.940	.348
LITIGATE (133/162)	1.229	.220
MERGERS (134/164)	1.304	.193
AUDITS (134/163)	-1.217	.224
<u>Characteristics Variables:</u>		
KNOW_EXP (131/157)	-.072	.943
ADVOCACY (131/157)	-1.114	.266
FEES (130/157)	-.374	.708
VALUE (131/157)	-.651	.516
ETHICS (131/158)	-2.113	.035†
TRUST (131/157)	-2.119	.035†

Note: The number of participants (EARLY/LATE) for each test is indicated in parentheses next to the variable name.

† Significant at $p < .05$

TABLE 4-4
PARTICIPANT CERTIFICATION HELD BY FIRM TYPE
PANEL A-ALL CERTIFICATIONS

CERTIFICATION	ASSIGNED FIRM TYPE			TOTALS
	CPA FIRM	LAW FIRM	MDP FIRM	
CPA	45	43	30	118
Bar License	32	47	27	106
MBA	37	25	24	86
CMA	3	--	1	4
PE	--	1	1	2
CA	--	--	1	1
CCM	1	--	--	1
CFA	--	1	--	1
CISA	--	1	--	1
CLU	--	1	--	1
FSA	--	1	--	1
M.ACC	1	--	--	1
M.TAX	--	1	--	1
RNC	--	1	--	1
SERIES 7	--	1	--	1
NONE	12	11	12	35
TOTALS	131	134	96	361

PANEL B-CPA CERTIFICATION AND BAR LICENSES

CERTIFICATION	ASSIGNED FIRM TYPE			TOTALS
	CPA FIRM	LAW FIRM	MDP FIRM	
CPA	45	39	30	114
Bar License	32	43	27	102
Both	--	4	--	4
Neither	34	21	23	78
TOTALS	111	107	80	298

Note: Participants could indicate more than one credential.

TABLE 4-5
YEARS PROFESSIONAL DESIGNATION (CPA,
BAR LICENSE, OR MBA) HELD BY FIRM TYPE

<u>DESIGNATION</u>		<u>CPA Firm</u>	<u>LAW Firm</u>	<u>MDP Firm</u>	<u>Row Totals</u>
Bar License	Mean	18.31	19.13	21.07	19.43
	SD	7.61	8.44	8.61	8.23
CPA	Mean	20.79	22.33	18.62	20.74
	SD	6.69	6.27	7.17	6.77
MBA	Mean	22.33	20.77	20.00	21.16
	SD	6.76	5.31	7.43	6.54
Column Totals	Mean	19.92	17.08	16.04	18.06
	SD	8.82	8.61	9.49	9.00

Note: Participants could indicate more than one professional designation.

TABLE 4-6
NUMBER OF EMPLOYEES BY FIRM TYPE

PANEL A-EMPLOYEE VARIABLE AT FIVE LEVELS

<u>NUMBER OF EMPLOYEES</u>	<u>CPA FIRM</u>	<u>LAW FIRM</u>	<u>MDP FIRM</u>	<u>TOTALS</u>
<500	51 (17.11%)	43 (14.43)	35 (11.74%)	129 (43.29%)
500-1,999	17 (5.70%)	31 (10.40%)	15 (5.03%)	63 (21.14%)
2,000-4,999	21 (7.04%)	12 (4.02%)	13 (4.36%)	46 (15.44%)
5,000-9,999	9 (3.02%)	10 (3.36%)	3 (1.01%)	22 (7.38%)
≥10,000	13 (4.36%)	11 (3.69%)	14 (4.70%)	38 (12.75%)
TOTALS	111 (37.25%)	107 (35.91%)	80 (26.85%)	298 (100%)

PANEL B-EMPLOYEE VARIABLE AT TWO LEVELS

<u>NUMBER OF EMPLOYEES</u>	<u>CPA FIRM</u>	<u>LAW FIRM</u>	<u>MDP FIRM</u>	<u>TOTALS</u>
<500	51 (17.11%)	43 (14.43)	35 (11.74%)	129 (43.29%)
≥500	60 (20.13%)	64 (21.48%)	45 (15.10%)	169 (56.71%)
TOTALS	111 (37.25%)	107 (35.91%)	80 (26.85%)	298 (100%)

Note: Percentages of total responses indicated in parentheses. Totals may be off due to rounding.

TABLE 4-7
ANNUAL SALES VOLUME BY FIRM TYPE

PANEL A-SALES VARIABLE AT FIVE LEVELS

ANNUAL SALES VOLUME	CPA FIRM	LAW FIRM	MDP FIRM	TOTALS
<\$1 million	2 (0.68%)	-- (0.00%)	-- (0.00%)	2 (0.68%)
\$1-99.99 million	47 (15.99%)	44 (14.97%)	28 (9.52%)	119 (40.48%)
\$100-499.99 million	25 (8.50%)	26 (8.84%)	23 (7.82%)	74 (25.17%)
\$500-999.99 million	13 (4.42%)	7 (2.38%)	5 (1.70%)	25 (8.50%)
≥\$1 billion	24 (8.16%)	28 (9.52%)	22 (7.48%)	74 (25.17%)
TOTALS	111 (37.76%)	105 (35.71%)	78 (26.53%)	294 (100%)

PANEL B-SALES VARIABLE AT TWO LEVELS

ANNUAL SALES VOLUME	CPA FIRM	LAW FIRM	MDP FIRM	TOTALS
<\$100 million	49 (16.67%)	44 (14.97%)	28 (9.52%)	121 (41.16%)
≥\$100 million	62 (21.09%)	61 (20.75%)	50 (17.00%)	173 (58.84%)
TOTALS	111 (37.76%)	105 (35.71%)	78 (26.53%)	294 (100%)

Note: Four participants did not indicate sales volume. Percentages of total responses indicated in parentheses. Totals may be off due to rounding.

TABLE 4-8
LARGEST LAW FIRM USED REGULARLY BY FIRM TYPE
PANEL A-BIG LAW VARIABLE AT FIVE LEVELS

<u>LARGEST LAW FIRM USED REGULARLY</u>	<u>CPA FIRM</u>	<u>LAW FIRM</u>	<u>MDP FIRM</u>	<u>TOTALS</u>
Local	9 (3.02%)	5 (1.68%)	8 (2.68%)	22 (7.38%)
Regional	28 (9.40%)	28 (9.40%)	26 (8.72%)	82 (27.52%)
National	33 (11.07%)	44 (14.77%)	22 (7.38%)	99 (33.22%)
International	41 (13.76%)	30 (10.01%)	24 (8.05%)	95 (31.88%)
TOTALS	111 (37.25%)	107 (35.91%)	80 (26.85%)	298 (100%)

PANEL B-BIG LAW VARIABLE AT TWO LEVELS

<u>LARGEST LAW FIRM USED REGULARLY</u>	<u>CPA FIRM</u>	<u>LAW FIRM</u>	<u>MDP FIRM</u>	<u>TOTALS</u>
Local and Regional	37 (12.42%)	33 (11.07%)	34 (11.41%)	104 (35.90%)
National and International	74 (24.83%)	74 (24.83%)	46 (15.44%)	194 (65.10%)
TOTALS	111 (37.25%)	107 (35.91%)	80 (26.85%)	298 (100%)

Note: Percentages of total responses indicated in parentheses. Totals may be off due to rounding.

TABLE 4-9
LARGEST ACCOUNTING FIRM USED REGULARLY BY FIRM TYPE
PANEL A-BIG ACCT VARIABLE AT FIVE LEVELS

LARGEST ACCOUNTING FIRM USED REGULARLY	CPA FIRM	LAW FIRM	MDP FIRM	TOTALS
Local	3 (1.01%)	2 (0.68%)	2 (0.68%)	7 (2.36%)
Regional	7 (2.36%)	7 (2.36%)	5 (1.69%)	19 (6.42%)
National	17 (5.74%)	20 (6.76%)	14 (4.73%)	51 (17.23%)
International	84 (28.38%)	78 (26.35%)	57 (19.26%)	219 (73.99%)
TOTALS	111 (37.50%)	107 (36.15%)	78 (26.35%)	296 (100%)

PANEL B-BIG ACCT VARIABLE AT TWO LEVELS

LARGEST ACCOUNTING FIRM USED REGULARLY	CPA FIRM	LAW FIRM	MDP FIRM	TOTALS
Local, Regional and National	10 (3.38%)	9 (3.04%)	7 (2.36%)	26 (8.78%)
International	101 (34.12%)	98 (33.11%)	71 (23.97%)	270 (91.22%)
TOTALS	111 (37.50%)	107 (36.15%)	78 (26.35%)	296 (100%)

Note: Two participants did not indicate the size of the largest accounting firm used regularly. Percentages of total responses indicated in parentheses. Totals may be off due to rounding.

TABLE 4-10
 MEANS AND STANDARD DEVIATIONS OF THE SERVICE USE
 DEPENDENT VARIABLES BY FIRM TYPE (ALL PARTICIPANTS)

<u>DEPENDENT VARIABLE</u>		<u>CPA FIRM</u>	<u>LAW FIRM</u>	<u>MDP FIRM</u>	<u>TOTALS</u>
TRADE	Mean	2.51	6.28	4.52	4.42
	SD	1.90	2.31	2.54	2.75
	N	109	107	79	295
TAX	Mean	6.27	5.32	6.48	5.98
	SD	2.33	2.36	2.33	2.39
	N	110	107	80	297
LITIGATE	Mean	2.32	8.44	4.41	5.08
	SD	1.71	1.25	2.88	3.30
	N	110	106	79	295
MERGERS	Mean	5.00	6.37	5.59	5.65
	SD	2.76	2.65	2.66	2.75
	N	111	107	80	298
AUDITS	Mean	8.41	2.49	5.11	5.39
	SD	1.51	2.49	2.94	3.44
	N	110	107	80	297

TABLE 4-11
 MEANS AND STANDARD DEVIATIONS OF THE SERVICE USE
 DEPENDENT VARIABLES BY FIRM TYPE (SORTED BY PARTICIPANT)

<u>DEPENDENT VARIABLE</u>		<u>CPA FIRM</u>	<u>LAW FIRM</u>	<u>MDP FIRM</u>	<u>TOTALS</u>
TRADE-	Mean	2.71	6.54	5.33	4.71
CPA	SD	2.10	2.29	2.71	2.86
	N	45	39	30	114
TRADE-	Mean	1.97	6.00	3.67	4.12
ATTORNEY	SD	1.56	2.49	2.34	2.78
	N	32	43	27	102
TRADE-	Mean	2.78	6.24	4.45	4.24
Neither	SD	1.88	2.12	2.28	2.50
	N	32	21	22	75
TAX-	Mean	7.07	4.67	6.97	6.22
CPA	SD	1.70	2.19	2.30	2.31
	N	45	39	30	114
TAX-	Mean	4.66	6.19	5.96	5.65
ATTORNEY	SD	2.48	2.21	2.71	2.50
	N	32	43	27	102
TAX-	Mean	6.94	4.90	6.41	6.21
NEITHER	SD	1.98	2.57	1.82	2.26
	N	32	21	22	75
LITIGATE-	Mean	2.73	8.56	5.62	5.49
CPA	SD	2.03	1.21	2.98	3.27
	N	45	39	29	113
LITIGATE-	Mean	1.69	8.29	2.81	4.73
ATTORNEY	SD	1.12	1.52	2.35	3.47
	N	32	42	27	101
LITIGATE-	Mean	2.41	8.48	4.59	4.75
NEITHER	SD	1.58	.75	2.46	3.04
	N	32	21	22	75

<u>DEPENDENT VARIABLE</u>		<u>CPA FIRM</u>	<u>LAW FIRM</u>	<u>MDP FIRM</u>	<u>TOTALS</u>
MERGERS- CPA	Mean	6.16	6.21	6.43	6.25
	SD	2.06	2.65	2.45	2.36
	N	45	39	30	114
MERGERS- ATTORNEY	Mean	3.47	6.63	4.00	4.94
	SD	2.74	2.64	2.67	3.03
	N	32	43	27	102
MERGERS- NEITHER	Mean	4.97	6.00	6.27	5.64
	SD	2.93	2.93	2.10	2.74
	N	32	21	22	75
AUDITS- CPA	Mean	8.64	1.49	5.80	5.45
	SD	1.25	1.55	2.91	3.62
	N	45	39	30	114
AUDITS- ATTORNEY	Mean	8.16	3.30	4.78	5.22
	SD	1.87	2.87	2.90	3.32
	N	32	43	27	102
AUDITS- NEITHER	Mean	8.34	2.95	4.45	5.69
	SD	1.47	2.65	2.97	3.31
	N	32	21	22	75

TABLE 4-12
 MEANS AND STANDARD DEVIATIONS OF THE
 CHARACTERISTICS DEPENDENT VARIABLES BY FIRM TYPE
 PANEL A-ALL PARTICIPANTS

DEPENDENT VARIABLE		CPA FIRM	LAW FIRM	MDP FIRM	TOTALS
KNOW_EXP	Mean	7.38	7.42	6.78	7.24
	SD	1.32	1.37	1.89	1.53
	N	107	105	76	288
ADVOCACY	Mean	6.07	6.95	6.20	6.43
	SD	1.79	1.71	1.79	1.80
	N	107	105	76	288
FEES	Mean	6.27	6.11	6.09	6.16
	SD	1.63	2.15	2.22	1.99
	N	107	104	76	287
VALUE	Mean	6.29	6.34	5.97	6.23
	SD	1.85	1.95	1.97	1.92
	N	107	105	76	288
ETHICS	Mean	7.71	7.39	6.64	7.31
	SD	1.35	1.61	2.23	1.76
	N	108	105	76	289
TRUST	Mean	7.50	7.47	6.50	7.23
	SD	1.48	1.59	2.18	1.77
	N	107	105	76	288

PANEL B-CPA AND ATTORNEY PARTICIPANTS ONLY

<u>DEPENDENT VARIABLE</u>		<u>CPA FIRM</u>	<u>LAW FIRM</u>	<u>MDP FIRM</u>	<u>TOTALS</u>
KNOW_EXP- CPA	Mean	7.36	7.10	7.28	7.25
	SD	1.16	1.29	1.51	1.30
	N	44	39	29	112
KNOW_EXP- ATTORNEY	Mean	7.26	7.95	5.80	7.18
	SD	1.55	1.30	2.35	1.89
	N	31	41	25	97
ADVOCACY- CPA	Mean	6.23	6.82	6.79	6.58
	SD	1.68	1.78	1.59	1.70
	N	44	39	29	112
ADVOCACY- ATTORNEY	Mean	5.65	7.61	5.36	6.40
	SD	1.94	1.20	1.98	1.96
	N	31	41	25	97
FEES- CPA	Mean	6.52	6.00	6.62	6.37
	SD	1.65	2.12	2.24	1.98
	N	44	39	29	112
FEES- ATTORNEY	Mean	6.00	6.39	5.40	6.01
	SD	1.59	2.34	2.38	2.16
	N	31	41	25	97
VALUE- CPA	Mean	6.00	5.49	6.48	5.95
	SD	1.74	2.01	1.77	1.87
	N	44	39	29	112
VALUE- ATTORNEY	Mean	6.19	7.07	5.24	6.32
	SD	1.80	1.63	2.18	1.97
	N	31	41	25	97
ETHICS- CPA	Mean	7.91	6.87	7.28	7.38
	SD	0.98	1.89	2.10	1.71
	N	44	39	29	112
ETHICS- ATTORNEY	Mean	7.42	7.88	5.28	7.06
	SD	1.77	1.12	2.44	2.04
	N	31	41	25	97
TRUST- CPA	Mean	7.52	6.95	7.21	7.24
	SD	1.37	1.88	1.72	1.66
	N	44	39	29	112
TRUST- ATTORNEY	Mean	7.26	7.93	5.04	7.11
	SD	1.69	1.15	2.46	2.08
	N	31	41	25	97

TABLE 4-13
MANOVA RESULTS FOR SERVICE USE VARIABLES

<u>Source</u>	<u>Wilks'</u> <u>Lambda</u>	<u>F</u>	<u>Sig.</u>	<u>Eta</u> <u>Squared</u>	<u>Observed</u> <u>Power</u>
Intercept	0.067	738.522	0.000**	0.933	1.000
Main					
Effects:					
FIRMTYPE	0.223	59.772	0.000**	0.528	1.000
AFFIL	0.927	2.063	0.026†	0.037	0.896
EMPLOYEES	0.965	1.911	0.093	0.035	0.644
Interaction					
Effects:					
FIRMTYPE* AFFIL	0.823	2.676	0.000**	0.047	0.995
FIRMTYPE* EMPLOYEES	0.976	0.659	0.763	0.012	0.350
AFFIL* EMPLOYEES	0.951	1.356	0.197	0.025	0.697
FIRMTYPE* AFFIL* EMPLOYEES	0.906	1.333	0.149	0.024	0.817

† Significant at $p < .05$

** Significant at $p < .001$

TABLE 4-14
ANOVA RESULTS FOR SIGNIFICANT SERVICE USE VARIABLES

<u>Source</u>	<u>df</u>	<u>SS</u>	<u>MS</u>	<u>F</u>	<u>Sig.</u>	<u>Eta Squared</u>	<u>Observed Power</u>
FIRMTYPE							
TRADE	2	317.00	633.99	66.25	0.000**	0.328	1.000
TAX	2	37.61	75.23	7.74	0.001*	0.054	0.948
LITIGATE	2	891.84	1783.67	257.84	0.000**	0.656	1.000
MERGERS	2	45.67	91.35	6.89	0.001*	0.048	0.921
AUDITS	2	814.38	1628.76	162.65	0.000**	0.546	1.000
AFFIL							
TRADE	2	8.01	16.02	1.67	0.190	0.012	0.351
TAX	2	5.03	10.06	1.04	0.357	0.008	0.230
LITIGATE	2	24.87	49.74	7.19	0.001*	0.050	0.932
MERGERS	2	25.74	51.47	3.88	0.022†	0.028	0.699
AUDITS	2	5.01	10.01	1.00	0.369	0.007	0.223
FIRMTYPE* AFFIL							
TRADE	4	1.052	4.208	0.22	0.927	0.003	0.097
TAX	4	35.670	142.682	7.34	0.000**	0.098	0.996
LITIGATE	4	5.588	22.352	1.67	0.171	0.023	0.495
MERGERS	4	20.097	80.388	3.03	0.018†	0.043	0.799
AUDITS	4	17.871	71.483	3.57	0.007††	0.050	0.867

† Significant at $p < .05$

†† Significant at $p < .01$

* Significant at $p < .005$

** Significant at $p < .001$

TABLE 4-15
 CONTRASTS OF SERVICE USE VARIABLES ACROSS FIRMTYPE LEVELS

<u>Dependent Variable</u>	<u>Contrast Weights</u>			<u>Contrast Value</u>	<u>Sig.</u>
	<u>CPA Firm</u>	<u>LAW Firm</u>	<u>MDP Firm</u>		
TRADE	1	0	-1	-2.184	0.000**
	0	1	-1	1.465	0.000**
	1	-1	0	-3.649	0.000**
TAX	1	0	-1	-0.282	0.439
	0	1	-1	-1.309	0.001*
	1	-1	0	1.027	0.002*
LITIGATE	1	0	-1	-2.313	0.000**
	0	1	-1	3.831	0.000**
	1	-1	0	-6.145	0.000**
MERGERS	1	0	-1	-0.912	0.033†
	0	1	-1	0.459	0.293
	1	-1	0	-1.371	0.000**
AUDITS	1	0	-1	2.936	0.000**
	0	1	-1	-2.957	0.000**
	1	-1	0	5.893	0.000**

† Significant at $p < .05$
 * Significant at $p < .005$
 ** Significant at $p < .001$

TABLE 4-16
 CONTRASTS OF SERVICE USE VARIABLES ACROSS AFFIL LEVELS

<u>Dependent Variable</u>	<u>Contrast Weights</u>			<u>Contrast</u>	
	<u>CPA</u>	<u>Attorney</u>	<u>Neither</u>	<u>Value</u>	<u>Sig.</u>
TRADE	1	0	-1	0.337	0.316
	0	1	-1	-0.276	0.463
	1	-1	0	0.613	0.073
TAX	1	0	-1	0.138	0.683
	0	1	-1	-0.353	0.351
	1	-1	0	0.491	0.154
LITIGATE	1	0	-1	0.419	0.143
	0	1	-1	-0.679	0.034
	1	-1	0	1.099	0.000**
MERGERS	1	0	-1	0.504	0.203
	0	1	-1	-0.610	0.168
	1	-1	0	1.114	0.006††
AUDITS	1	0	-1	0.062	0.856
	0	1	-1	0.489	0.204
	1	-1	0	-0.427	0.222

†† Significant at $p < .01$
 ** Significant at $p < .001$

TABLE 4-17
MANOVA RESULTS FOR CHARACTERISTICS VARIABLES

<u>Source</u>	<u>Wilks' Lambda</u>	<u>F</u>	<u>Sig.</u>	<u>Eta Squared</u>	<u>Observed Power</u>
Intercept	0.036	1164.300	0.000	0.964	1.000
Main Effects:					
FIRMTYPE	0.886	2.713	0.001*	0.059	0.984
AFFIL	0.913	2.020	0.021†	0.045	0.928
EMPLOYEES	0.972	1.244	0.284	0.028	0.487
Interaction Effects:					
FIRMTYPE* AFFIL	0.873	1.502	0.058	0.033	0.933
FIRMTYPE* EMPLOYEES	0.928	1.657	0.073	0.037	0.855
AFFIL* EMPLOYEES	0.963	0.816	0.634	0.018	0.484
FIRMTYPE* AFFIL* EMPLOYEES	0.939	0.683	0.871	0.015	0.529

† Significant at $p < .05$

* Significant at $p < .005$

TABLE 4-18
ANOVA RESULTS FOR SIGNIFICANT CHARACTERISTICS VARIABLES

<u>Source</u>	<u>df</u>	<u>SS</u>	<u>MS</u>	<u>F</u>	<u>Sig.</u>	<u>Eta Squared</u>	<u>Observed Power</u>
FIRMTYPE							
KNOW_EXP	2	11.147	5.574	2.595	0.077	0.019	0.515
ADVOCACY	2	24.573	12.286	4.179	0.016†	0.031	0.732
FEES	2	0.330	0.165	0.042	0.959	0.000	0.056
VALUE	2	2.326	1.163	0.339	0.713	0.003	0.104
ETHICS	2	24.354	12.177	4.495	0.012†	0.033	0.765
TRUST	2	26.042	13.021	4.813	0.009††	0.035	0.795
AFFIL							
KNOW_EXP	2	0.586	0.293	0.136	0.873	0.001	0.071
ADVOCACY	2	7.192	3.596	1.223	0.296	0.009	0.266
FEES	2	5.602	2.801	0.716	0.490	0.005	0.170
VALUE	2	11.280	5.640	1.644	0.195	0.012	0.345
ETHICS	2	10.028	5.014	1.851	0.159	0.014	0.384
TRUST	2	12.234	6.117	2.261	0.106	0.017	0.458

† Significant at $p < .05$

†† Significant at $p < .01$

TABLE 4-19
 CONTRASTS OF CHARACTERISTICS
 VARIABLES ACROSS FIRMTYPE LEVELS

<u>Dependent Variable</u>	<u>Contrast Weights</u>			<u>Contrast Value</u>	<u>Sig.</u>
	<u>CPA Firm</u>	<u>Law Firm</u>	<u>MDP Firm</u>		
KNOW_EXP	1	0	-1	0.533	0.030†
	0	1	-1	0.463	0.067
	1	-1	0	0.070	0.749
ADVOCACY	1	0	-1	-0.278	0.329
	0	1	-1	0.457	0.122
	1	-1	0	-0.735	0.004*
FEES	1	0	-1	-0.005	0.988
	0	1	-1	0.075	0.826
	1	-1	0	-0.080	0.787
VALUE	1	0	-1	0.201	0.514
	0	1	-1	0.253	0.427
	1	-1	0	-0.051	0.852
ETHICS	1	0	-1	0.820	0.003*
	0	1	-1	0.508	0.073
	1	-1	0	0.312	0.204
TRUST	1	0	-1	0.796	0.004*
	0	1	-1	0.741	0.009††
	1	-1	0	0.055	0.822

† Significant at p<.05
 †† Significant at p<.01
 * Significant at p<.005

TABLE 4-20
SUMMARY OF RESULTS FROM HYPOTHESIS TESTING

<u>Hypothesis</u>	<u>Status</u>	<u>Summary of Results</u>
1	Rejected	Business professionals <u>significantly prefer</u> CPA firms, as opposed to MDP firms, for financial audits .
2	Rejected	Business professionals <u>significantly prefer</u> LAW firms, as opposed to MDP firms, for litigation services.
3	Failed to Reject	Business professionals show <u>no significant preference</u> between CPA firms and MDP firms for representation before taxing authorities .
4	Rejected	Business professionals <u>significantly prefer</u> LAW firms, as opposed to MDP firms, for trade regulation and interstate commerce issues.
5	Rejected	Business professionals <u>significantly prefer</u> MDP firms, as opposed to CPA firms, for mergers and acquisitions .
6	Failed to Reject	Business professionals show <u>no significant preference</u> between LAW firms and MDP firms for mergers and acquisitions .
7	Partially Rejected	Affiliation with either the accounting or legal profession has <u>no significant affect</u> on participant's likelihood of using an outside firm for assistance.
8	Rejected	Affiliation with the accounting profession, the legal profession, or <u>neither significantly affects</u> the likelihood that a business professional would use a firm depending upon the type of firm evaluated.

<u>Hypothesis</u>	<u>Status</u>	<u>Summary of Results</u>
9	Failed to Reject	The size of the participant's firm <u>does not significantly affect</u> the participant's likelihood of using an outside firm for assistance.
10	Failed to Reject	The size of the participant's firm <u>does not significantly affect</u> the likelihood that a business professional would use a firm depending upon the type of firm evaluated.
11	Partially Rejected	Business professionals perceive a <u>significant difference</u> between CPAs and attorneys with regard to advocacy, but <u>not</u> with regard to knowledge and expertise, fees, value, ethics, or trust.

TABLE 4-21
CORRELATION MATRIX OF ALL CONTINUOUS VARIABLES

<u>Variable</u>	<u>TRADE</u>	<u>TAX</u>	<u>LITIGATE</u>	<u>MERGERS</u>	<u>AUDITS</u>	<u>KNOW EXP</u>
TRADE	1.000	.159	.665	.408	-.362	.196
	--	.006	.000	.000	.000	.001
	295	295	293	295	295	286
TAX		1.000	-.017	.414	.353	.250
	X	--	.777	.000	.000	.000
		297	295	297	297	288
LITIGATE			1.000	.413	-.559	.170
	X	X	--	.000	.000	.004
			295	295	295	286
MERGERS				1.000	.029	.259
	X	X	X	--	.622	.000
				298	297	288
AUDITS					1.000	.047
	X	X	X	X	--	.430
					297	288
KNOW_EXP						1.000
	X	X	X	X	X	--
						288
ADVOCACY	.340	.207	.324	.283	-.078	.516
	.000	.000	.000	.000	.189	.000
	286	288	286	288	288	288
FEES	.050	.102	.100	.048	.027	.324
	.402	.086	.090	.417	.652	.000
	285	287	285	287	287	287
VALUE	.166	.196	.180	.223	.097	.610
	.005	.001	.002	.000	.099	.000
	286	288	286	288	288	288
ETHICS	.133	.200	.139	.225	.194	.582
	.024	.001	.019	.000	.001	.000
	286	288	286	289	288	288
TRUST	.203	.233	.226	.289	.127	.661
	.001	.000	.000	.000	.031	.000
	286	288	286	288	288	288
YRS_HELD	-.065	-.110	-.060	-.065	-.119	-.057
	.337	.104	.380	.338	.078	.404
	220	220	218	220	220	213

	<u>ADVOCACY</u>	<u>FEES</u>	<u>VALUE</u>	<u>ETHICS</u>	<u>TRUST</u>	<u>YRS HELD</u>
ADVOCACY	1.000	.309	.490	.425	.524	-.011
	--	.000	.000	.000	.000	.870
	288	287	288	288	288	213
FEES		1.000	.371	.376	.357	-.008
	X	--	.000	.000	.000	.905
		287	287	287	287	213
VALUE			1.000	.602	.678	.019
	X	X	--	.000	.000	.778
			288	288	288	213
ETHICS				1.000	.867	-.052
	X	X	X	--	.000	.451
				289	288	213
TRUST					1.000	-.077
	X	X	X	X	--	.261
					288	213
YRS_HELD						1.000
	X	X	X	X	X	--
						220

Note: Each cell reports the Pearson correlation, significance level, and number of cases for each pairwise comparison. Significant correlations are not flagged.

TABLE 4-22
RESULTS OF PRINCIPAL COMPONENTS
ANALYSIS OF SERVICE USE VARIABLES

Variable	Rotated Component Matrix		Component Score Coefficient Matrix	
	<u>Factor 1</u>	<u>Factor 2</u>	<u>Factor 1</u>	<u>Factor 2</u>
TRADE	.810	.280	.356	.138
TAX	-.091	.867	-.080	.542
LITIGATE	.909	.075	.411	.006
MERGERS	.421	.735	.159	.437
AUDITS	-.738	.497	-.358	.341

TABLE 4-23
RESULTS OF PRINCIPAL COMPONENTS
ANALYSIS OF CHARACTERISTICS VARIABLES

Variable	Unrotated Component Matrix	Component Score Coefficient Matrix
	<u>Factor 1</u>	<u>Factor 1</u>
KNOW_EXP	.809	.222
ADVOCACY	.691	.189
FEES	.547	.150
VALUE	.821	.225
ETHICS	.851	.233
TRUST	.905	.248

FIGURE 4-1
PLOT OF ESTIMATED MARGINAL MEANS OF THE DEPENDENT
VARIABLE "TRADE" BY FIRM TYPE AND AFFILIATION

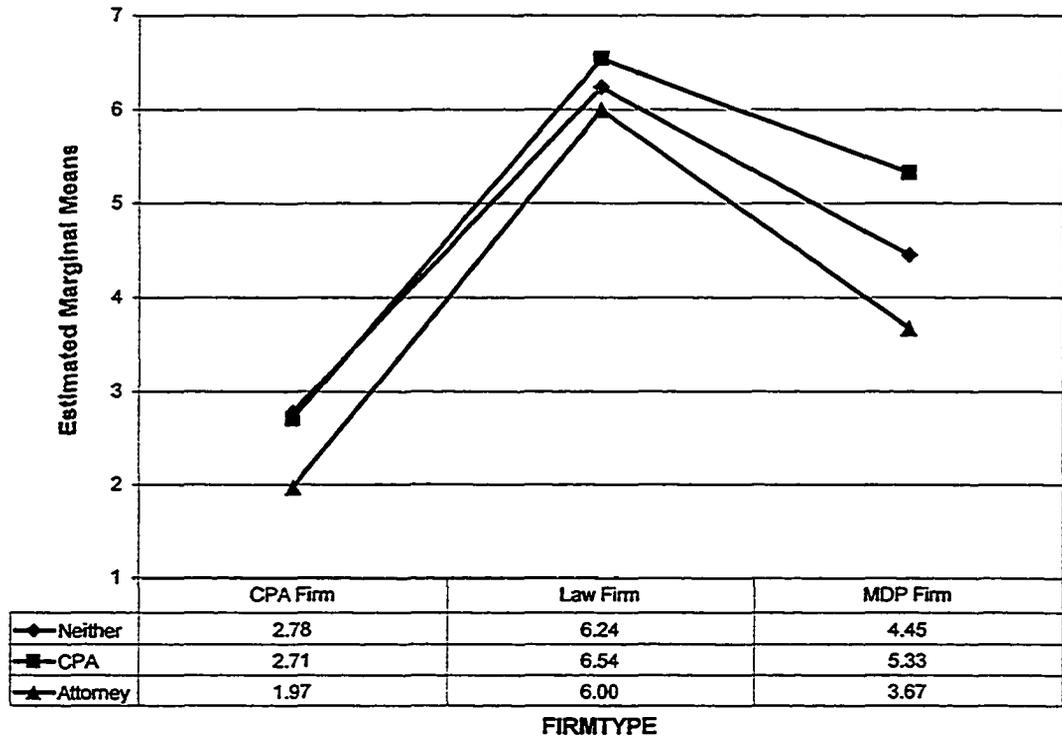


FIGURE 4-2
 PLOT OF ESTIMATED MARGINAL MEANS OF THE DEPENDENT
 VARIABLE "TAX" BY FIRM TYPE AND AFFILIATION

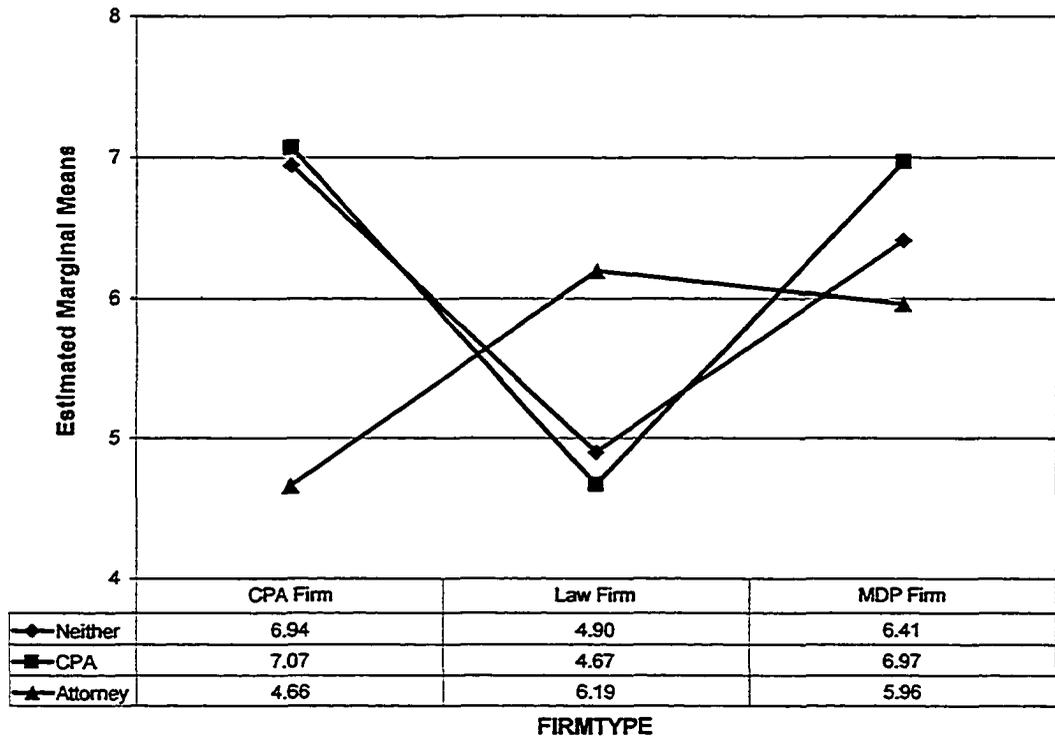


FIGURE 4-3
 PLOT OF ESTIMATED MARGINAL MEANS OF THE DEPENDENT
 VARIABLE "LITIGATE" BY FIRM TYPE AND AFFILIATION

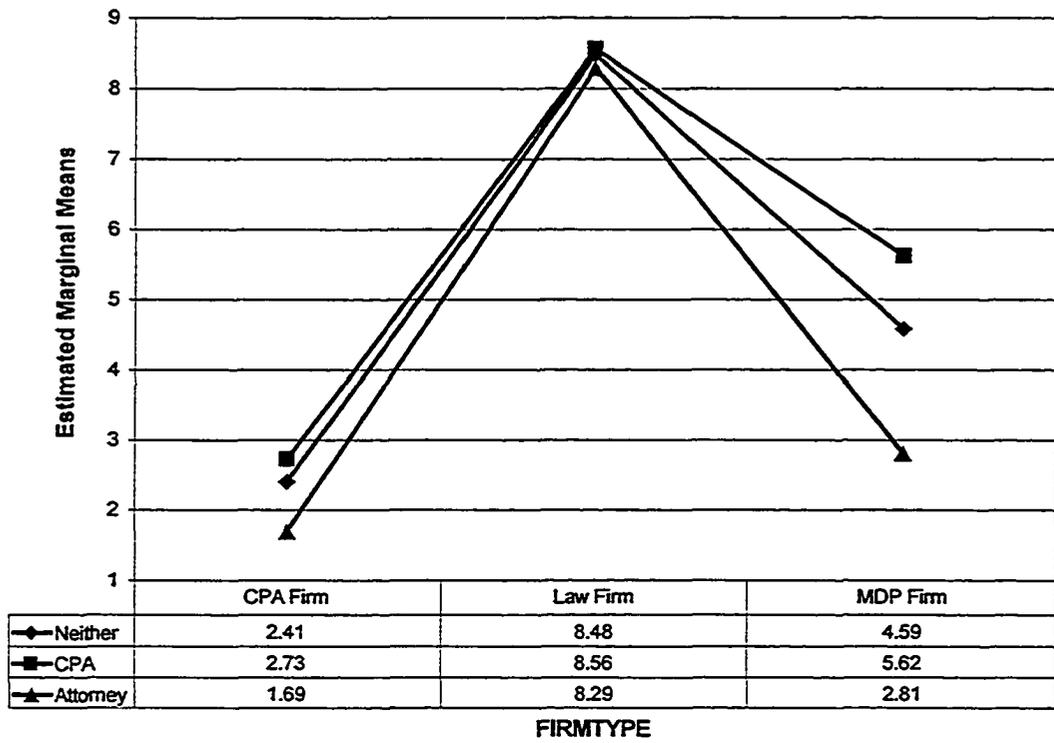


FIGURE 4-4
 PLOT OF ESTIMATED MARGINAL MEANS OF THE DEPENDENT
 VARIABLE "MERGERS" BY FIRM TYPE AND AFFILIATION

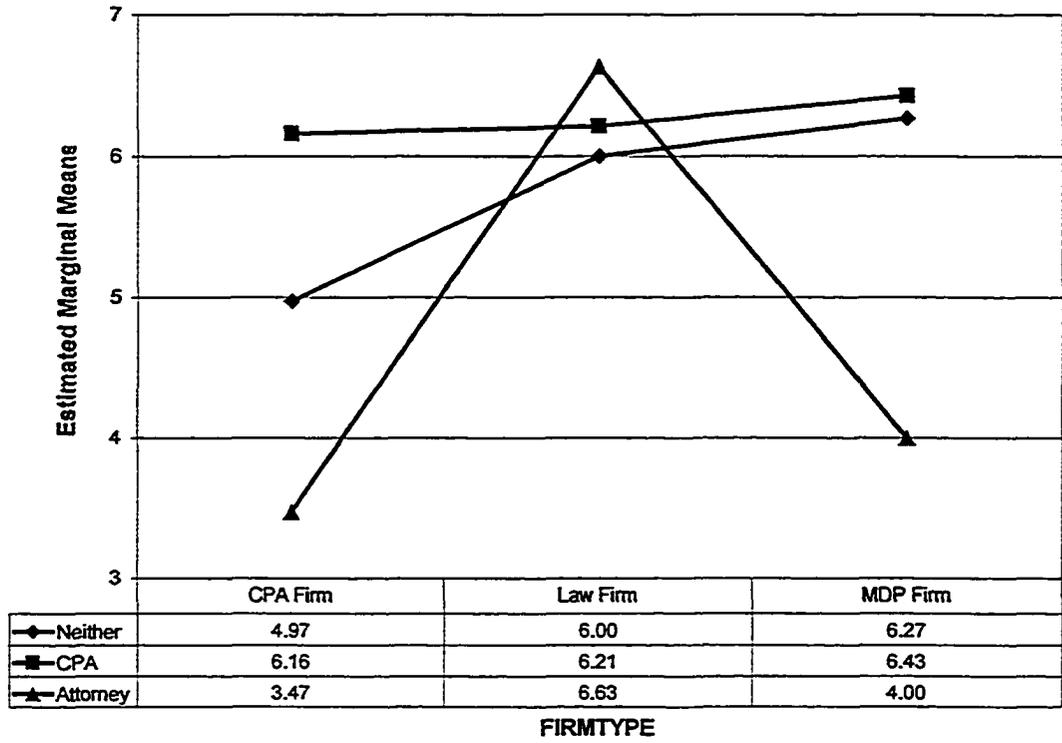


FIGURE 4-5
 PLOT OF ESTIMATED MARGINAL MEANS OF THE DEPENDENT
 VARIABLE "AUDITS" BY FIRM TYPE AND AFFILIATION

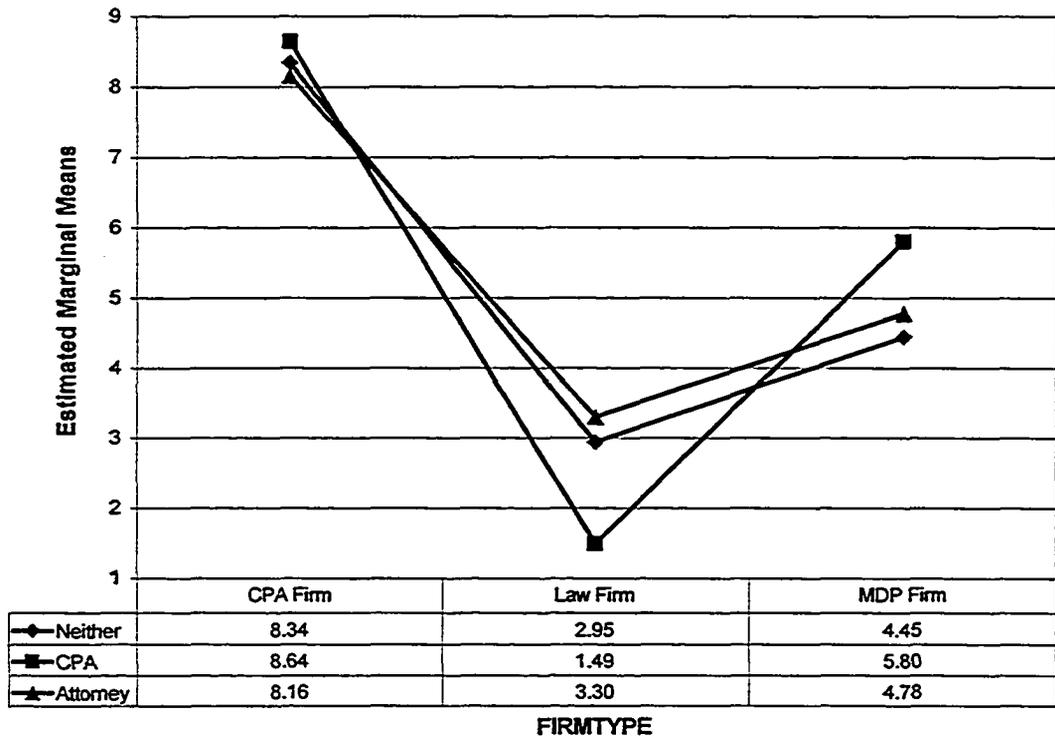


FIGURE 4-6
 PLOT OF ESTIMATED MARGINAL MEANS OF SCALAR SCORES
 (ADDITIVE METHOD) OF THE SERVICE USE VARIABLES
 BY FIRM TYPE AND AFFILIATION

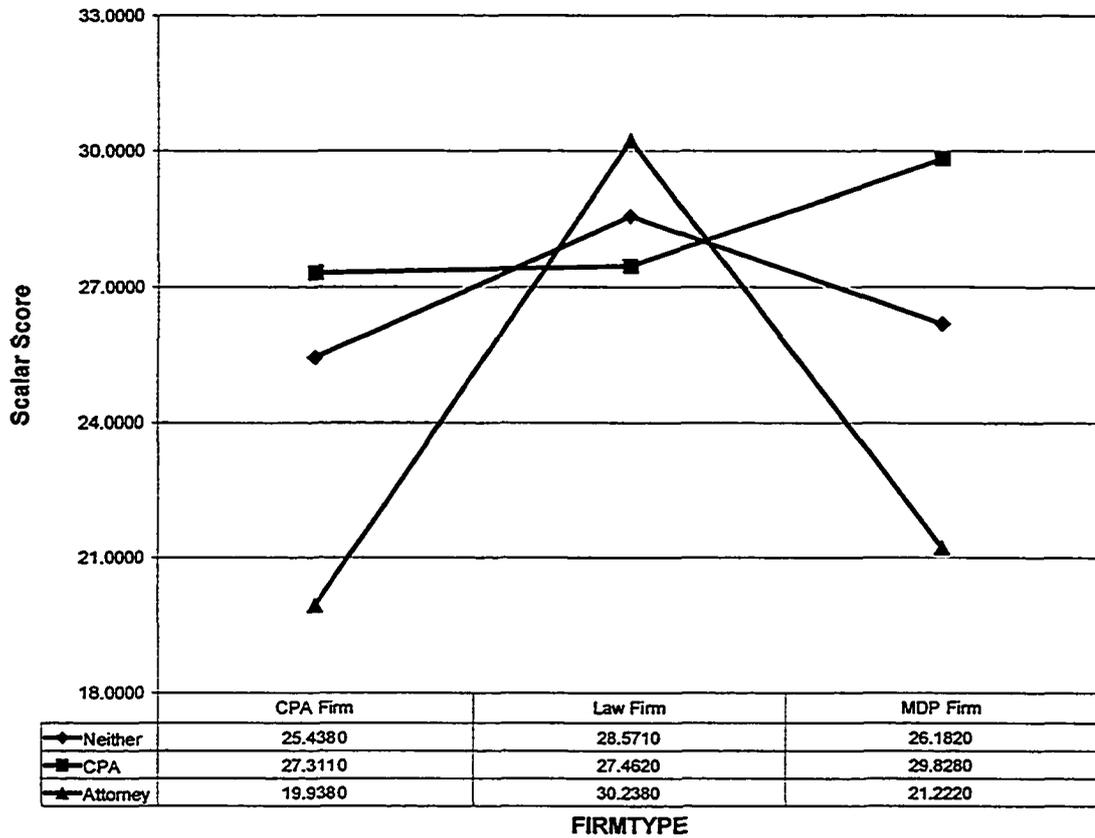


FIGURE 4-7
 PLOT OF ESTIMATED MARGINAL MEANS OF
 SCALAR SCORES (PCA METHOD-SPECIALIZED FACTOR)
 OF THE SERVICE USE VARIABLES BY FIRM TYPE AND AFFILIATION

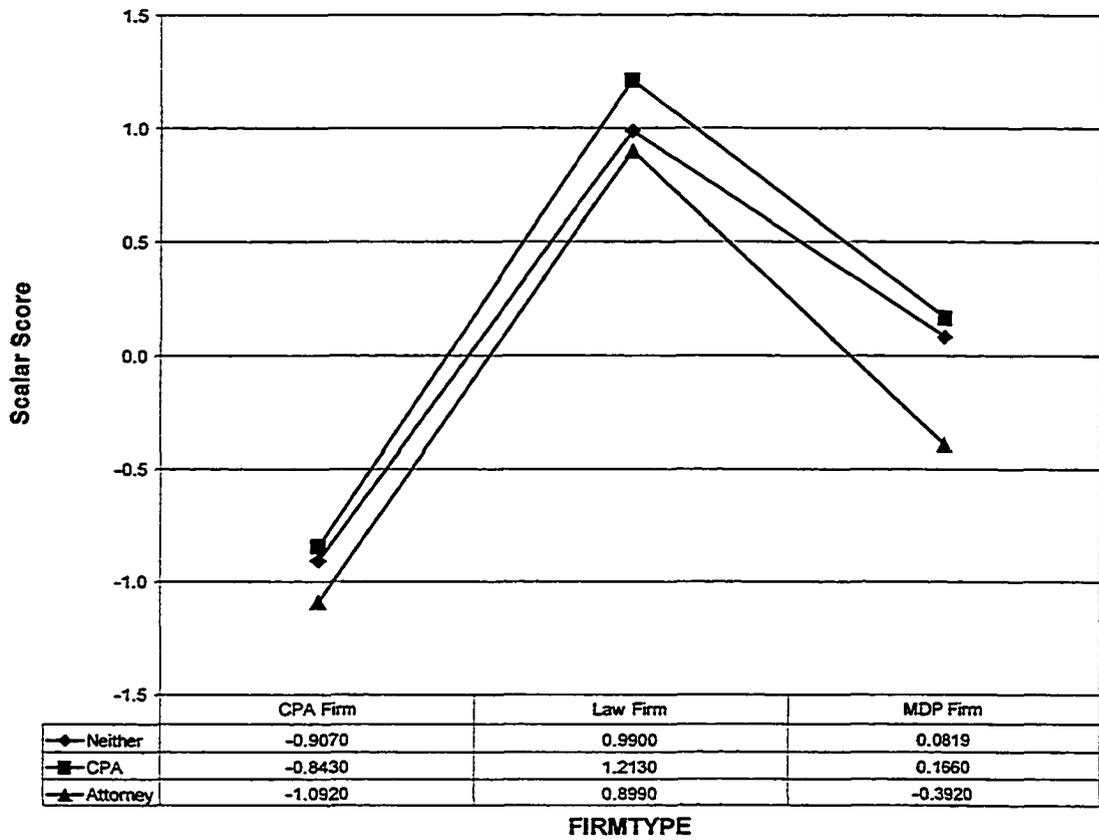


FIGURE 4-8
 PLOT OF ESTIMATED MARGINAL MEANS OF
 SCALAR SCORES (PCA METHOD-GENERALIZED FACTOR)
 OF THE SERVICE USE VARIABLES BY FIRM TYPE AND AFFILIATION

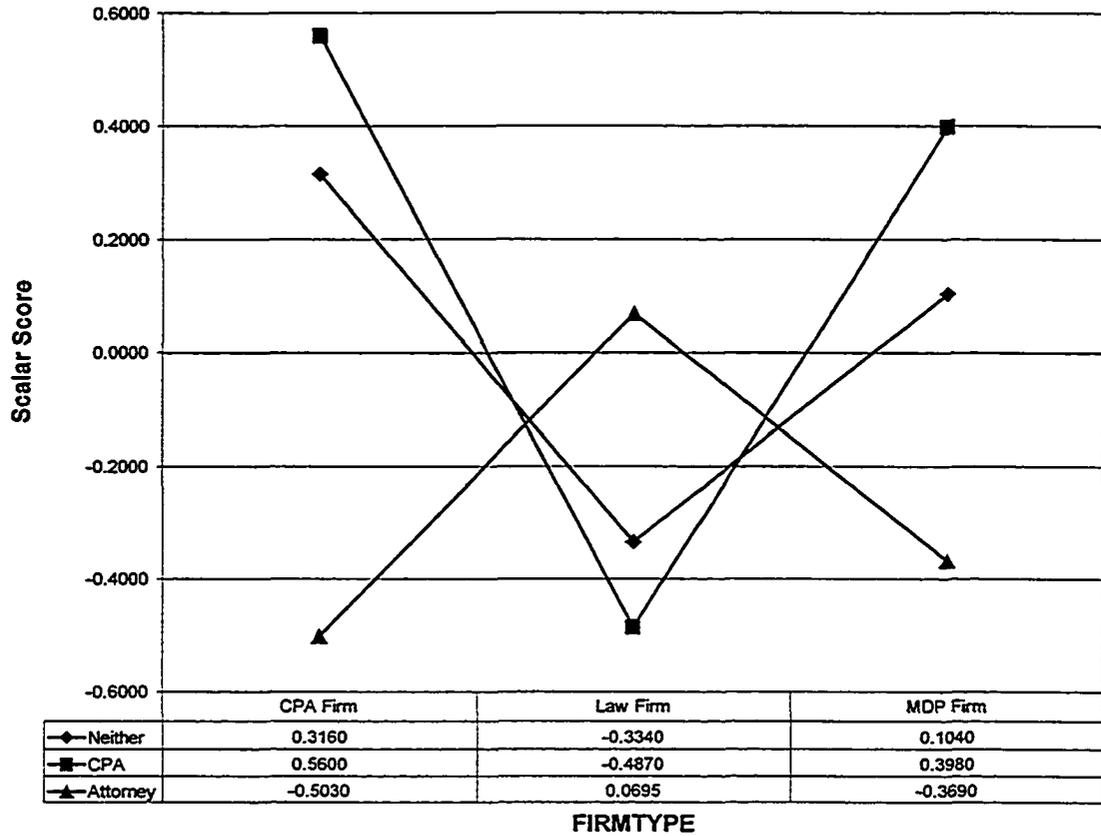


FIGURE 4-9
 PLOT OF ESTIMATED MARGINAL MEANS OF
 SCALAR SCORES (ADDITIVE METHOD) OF THE
 CHARACTERISTICS VARIABLES BY FIRM TYPE AND AFFILIATION

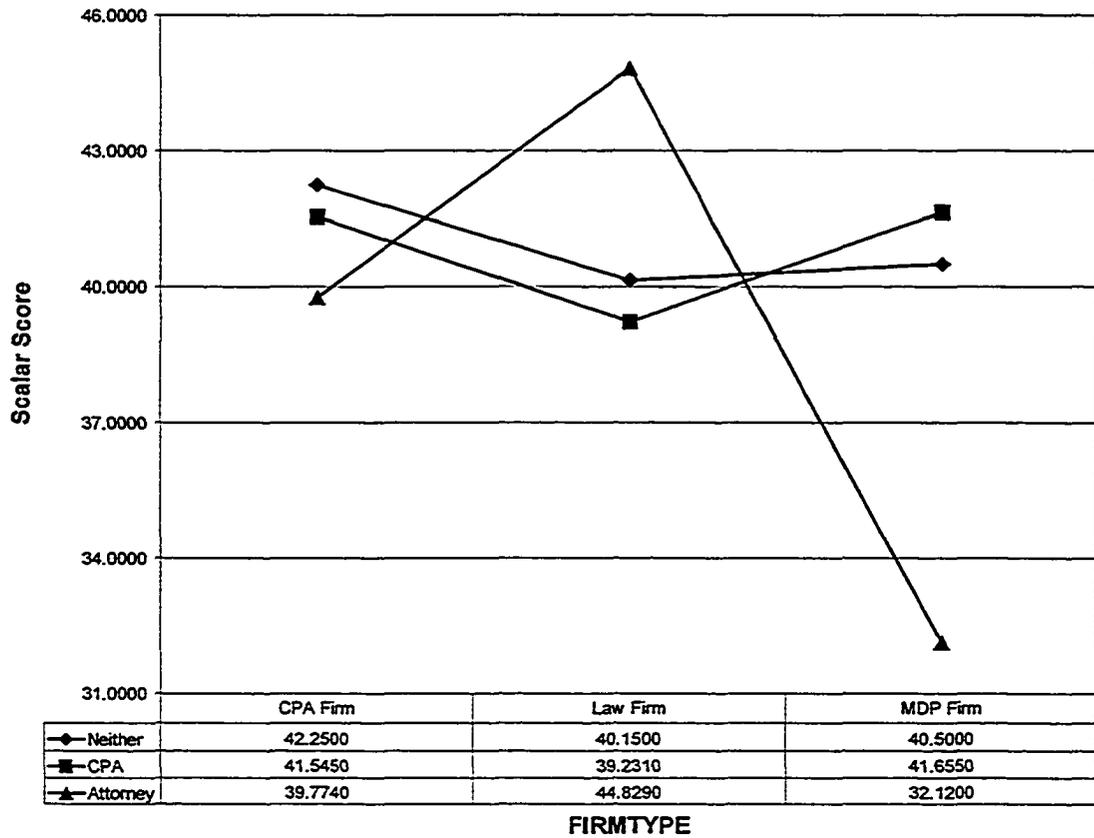
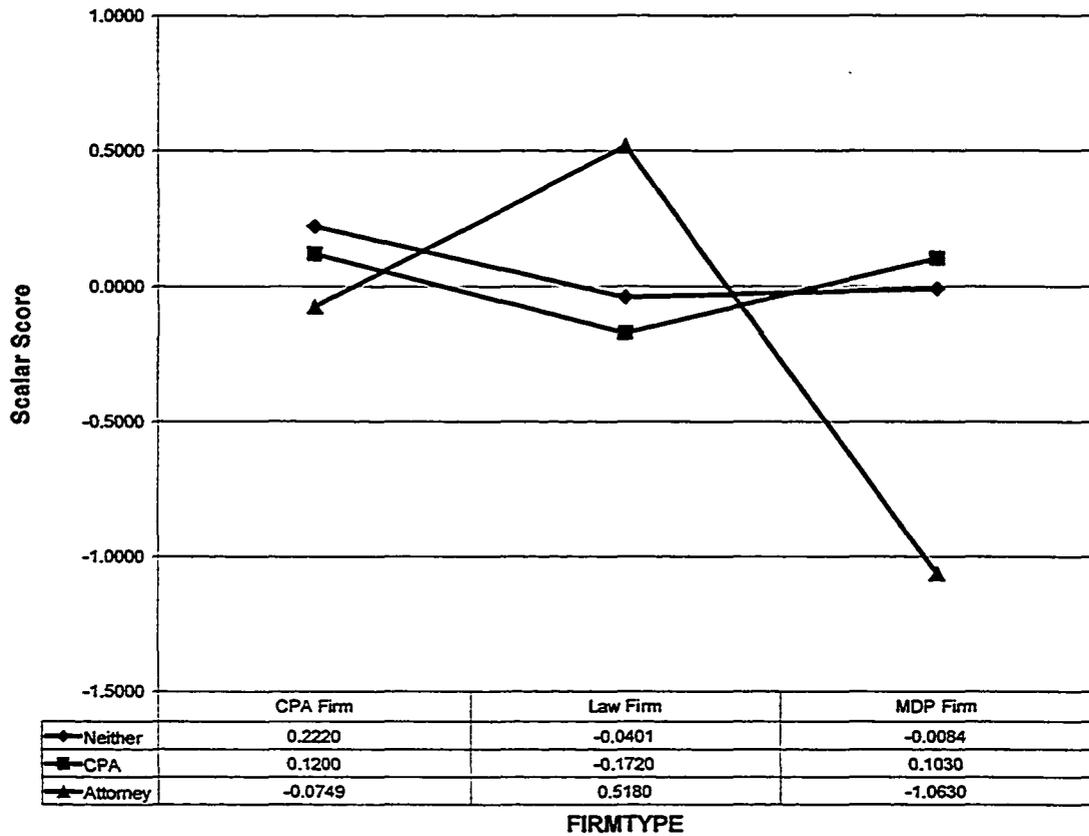


FIGURE 4-10
 PLOT OF ESTIMATED MARGINAL MEANS OF
 SCALAR SCORES (PCA METHOD-ONE FACTOR) OF THE
 CHARACTERISTICS VARIABLES BY FIRM TYPE AND AFFILIATION



CHAPTER V
-
SUMMARY AND CONCLUSIONS

Introduction

The first section of this chapter provides an interpretation of the results presented in Chapter 4. The second section provides conclusions and implications from the findings of this study. This section also provides an overview of the exploratory data gathered in this study. The third section of this chapter presents some limitations of the study, and the final section offers suggestions for future research.

Interpretation of Results

FIRMTYPE Effects on the Service Use Variables

Of the three primary independent variables in this study, FIRMTYPE, AFFIL, and EMPLOYEES, the significant main effect with respect to the FIRMTYPE variable was the least surprising. It is to be expected that business professionals would select different types of firms to meet

different business service needs. For this reason, specific contrasts, rather than an omnibus F test, were proposed with regard to the FIRMTYPE variable even though the omnibus F test was conducted and reported.

The contrasts conducted for hypotheses one, three, and five revealed that business professionals significantly prefer CPA firms (as opposed to MDP firms) for the provision of financial statement audits. Therefore, the "exclusive" services of CPAs are safe from competition should multidisciplinary practices be legalized in the U.S. However, these contrasts also indicated that CPAs will face strong competition for their traditionally "dominant" services (e.g., representation before taxing authorities). In addition, business professionals showed a significant preference for MDP firms, as opposed to CPA firms, for assistance with mergers and acquisitions. This finding indicates that CPA firms may actually lose some of the "shared" services for which they currently compete with law firms and other service providers. Thus, from a professional protectionism point of view, it would seem unwise for the AICPA (and the accounting profession) to support the legalization of multidisciplinary practices

unless CPAs plan to abandon the traditional CPA firm business model to become multidisciplinary practices.

The contrasts conducted for hypotheses two, four, and six revealed that business professionals significantly prefer LAW firms (as opposed to MDP firms) for "exclusive" and "dominant" services (e.g., litigation and assistance with trade regulation and interstate commerce issues). However, the findings of this study indicate that business professionals have no significant preference between LAW firms and MDP firms for assistance with mergers and acquisitions. Thus, law firms would expect little competition from multidisciplinary practices for their core services; but they may experience increased competition with regard to their more peripheral service offerings.

From a professional protectionism point of view, it would seem unnecessary for the ABA to oppose the legalization of multidisciplinary practices. However, if a large number of attorneys were to work in multidisciplinary practices instead of traditional law firms, the current balance of power within the legal profession could be upset. Attorneys in multidisciplinary practices would probably be less inclined than their law firm peers to maintain the *status quo*. This new freedom of choice might

cause changes to the profession that the leadership would rather not permit.

Considering the results of all six contrasts together, it is apparent that the accounting profession is more vulnerable to competition from multidisciplinary practices than is the legal profession. In fact, the legal profession seems to be almost immune to the threat of competition from multidisciplinary practices. In light of these results, it would appear that the accounting profession should be *against* the legalization of multidisciplinary practices and the legal profession should be only minimally concerned with their legalization.

However, if business professionals already perceive CPA firms to be *de facto* multidisciplinary practices, then it would not be unusual for business professionals to exhibit no significant preference between CPA firms and MDP firms. It would also be consistent for business professionals to prefer MDP firms to CPA firms for some services because they perceive no differences between the two entities. Therefore, the accounting profession may be supportive of multidisciplinary practices as a means of receiving formal approval for what they are already doing. Conversely, the legal profession may be opposed to

multidisciplinary practices not because of the competitive threat but because of the strategic threat that they pose to the legal profession. In fact, the legal profession has cited loss of control as one of its reasons for opposing the legalization of multidisciplinary practices.

AFFIL Effects on the Service Use Variables

There was a significant main effect with regard to the AFFIL variable. In addition, the contrasts conducted for hypothesis seven (between CPA and attorney participants) indicate significantly different responses with regard to LITIGATE and MERGERS. This indicates that CPAs and attorneys *do* show a different degree of likelihood for using professional firms. The interaction effect of professional affiliation and firm type (hypothesis eight) across all participants also had a significant effect on the dependent variables. Several different interpretations of these findings are possible.

Considering the LITIGATE and MERGERS variables, CPA participants were significantly more likely to use their assigned FIRMTYPE than were attorney participants. These results may be explained by CPAs having less background in these areas; thus, they may be more willing to seek outside assistance for these services. The attorneys in this study

were the general counsels of the sampled firms. As such, it could be expected that they would handle litigation- and merger/acquisition-related issues on a regular basis. Thus, they would have less need for outside assistance with these services than would a CFO (the "CPA" representative in the study).

With regard to the other services included in this study, since both CPAs and attorneys provide representation before taxing authorities, it is not surprising that there was no difference on this variable. In addition, CFOs (i.e., the CPAs in this study) and general counsels (i.e., the attorneys in this study) would each be equally likely to recognize the need for an external CPA firm for financial statement audits. General counsels might also feel as much need for external assistance as do CFOs with respect to trade regulation and interstate commerce laws.

However, the findings of this study might also indicate the presence of professional bias. It could be that professionals are more likely to retain those firms that are most like themselves. Such an arrangement might provide a comfortable and confirmatory perspective on the conclusions of in-house decision-makers (whether CPAs or attorneys). In addition, it would show an attitude of

intra-professional, rather than inter-professional, reliance and trust.

A third explanation might be that CPAs, attorneys and non-CPAs/non-attorneys consider two of the three firms to be similar. It is possible that each of the three participant groups may respond similarly with regard to CPA firms and LAW firms, but have vastly different views with respect to multidisciplinary practices. The different public positions taken by the AICPA and the ABA and/or the fact that multidisciplinary practices have not yet been legalized in the U.S. might account for such a finding.

Two questions, then, remain to be answered: in what way does professional affiliation affect a participant's likelihood of using different types of firms, and in what way does professional affiliation affect business professionals' likelihood of using any particular firm type. A review of Figures 4-1 through 4-5 is helpful in interpreting this portion of the results. These figures reveal that instead of using outside firms in their areas of relative "weakness," CPAs and attorneys indicated a bias toward using firms within their own profession for many types of business services. In addition, CPAs tended to show a significant preference for (and attorneys a

significant dislike for) multidisciplinary practices on the variables LITIGATE and MERGERS. The non-CPAs/non-attorney group tended to be more like the CPA participants than the attorney participants.

Participant's responses on the trade regulation/interstate commerce variable (Figure 4-1) were fairly consistent. All three groups were most likely to use a law firm and least likely to use a CPA firm for this service. This is not surprising since trade regulation/interstate commerce was identified as a "dominant" service of the legal profession.

Since TAX was considered within the "dominant" services of the accounting profession, it is not surprising that both CPAs and non-CPAs/non-attorneys indicated a strong preference for using a CPA firm. Attorneys' significant preference for law firms and the pattern of the attorneys' responses implies the presence of professional bias in the legal profession. In addition, the divergence of attorneys' responses from the responses of non-CPAs/non-attorneys also suggests that a professional bias is present.

With respect to litigation (Figure 4-3), participants' responses were fairly uniform and consistent. However,

CPAs were more likely than were attorneys to use either CPA firms or MDP firms. This again suggests the presence of bias in the responses of CPAs and attorneys. Professional bias is the only plausible reason for CPAs preferring CPA firms instead of LAW firms for litigation. Responses related to multidisciplinary practices follow the public positions of the AICPA and the ABA. This also suggests the presence of professional bias.

The MERGERS variable was perhaps the most interesting comparison (Figure 4-4). Since this was expected to be a "shared" service, no differences were expected. Although the responses of CPAs were not significantly different from the responses of non-CPAs/non-attorneys, CPAs were more likely than attorneys to use CPA firms. The overall trend for attorneys showed a strong bias for using law firms as opposed to any other firm type. These results strongly suggest professional bias.

The results with respect to financial statement audits (Figure 4-5) were also enlightening. Once again, participants agreed that CPA firms were best able (and that law firms were the least able) to provide audit services. However, attorneys were significantly more likely than CPAs to use a law firm for financial statement audits. As was

seen with respect to litigation, the only plausible reason for attorneys to express a preference for law firms for the provision of financial statement audits is the presence of professional bias. This conclusion would be less surprising in those jurisdictions that allow attorneys to perform financial statement audits.

To summarize the findings, only the responses of non-CPAs/non-attorneys conformed to the findings of the ICPAS study. Non-CPAs/non-attorneys preferred CPA firms for audits and tax representation; preferred law firms for litigation and trade regulation/interstate commerce; and showed no preference among providers for assistance with mergers and acquisitions. However, both CPA and attorney participants showed some degree of professional bias.

Examining the attorneys' responses using the non-CPA/non-attorney group as a baseline, attorneys expressed a bias toward law firms in the areas of tax representation and mergers/acquisitions. Therefore, attorneys felt that law firms were the best service provider not only for the traditional legal services (i.e., litigation and trade regulation/interstate commerce) and in "shared" services (i.e., mergers/acquisitions), but also in the traditional accounting service of tax representation. The only service

for which attorneys preferred CPA firms was in the area of financial statement audits. Comparing attorneys and CPAs, attorneys also showed a significant disfavor for multidisciplinary practices in the areas of litigation and mergers/acquisitions.

CPAs and non-CPAs/non-attorneys showed no significant differences in their responses. However when comparing CPA and attorney participants, CPAs showed a professional bias toward the accounting profession with regard to litigation, mergers/acquisitions, and financial statement audits. Although CPAs did consider CPA firms as significantly more capable of providing litigation services than did attorneys, CPAs indicated that law firms were still the best providers for this service. Similarly, CPAs showed a significant dislike for using law firms for financial statement audits even though attorneys are permitted to conduct audits in some jurisdictions. Thus, CPAs preferred CPA firms in those areas considered within the current domain of the accounting profession (i.e., audits and tax representation) as well as those areas considered "shared" by both the accounting and legal professions (i.e., mergers and acquisitions). CPAs were also significantly more

likely than attorneys to use a multidisciplinary practice for assistance with litigation and mergers/acquisitions.

EMPLOYEES Effect on the Service Use Variables

Neither the EMPLOYEES variable by itself nor the interaction between FIRMTYPE and EMPLOYEES had a significant effect on participants' responses. This indicates that the size of the participants' respective companies had no significant influence on their responses. Both CPAs and attorneys take rigorous examinations that require them to have a broad body of knowledge. In addition, although the need for different business services might change as the size of the company changes, the understanding of which types of firms can supply that need would remain constant. Thus, if participants whose companies had never been involved with mergers and acquisitions were asked what type of firm would best provide assistance with this service, these participants would have a preference, regardless of the size of the company in which they worked. Thus, the preferred provider for a particular business service is influenced by the general capabilities of the firm and the professional affiliation of the participant and not by the size of the participant's company.

FIRMTYPE Effects on the Characteristics Variables

The results of hypothesis eleven indicated that although business professionals do perceive an overall difference between CPAs and attorneys (as proxied by CPA firms and LAW firms), this result was driven by the large difference in participant's perceptions with regard to advocacy. Specifically, business professionals perceived attorneys as having higher advocacy than CPAs. This is not surprising given the attorney's traditional role as client representative and the CPA's traditional role as financial investigator.

Business professionals perceived no significant difference between CPAs and attorneys with respect to knowledge and expertise, level of fees charged, level of value received, level of ethics or level of trust. The fact that there was no significant difference in the level of trust placed in CPAs and attorneys is interesting especially in light of the results regarding advocacy. Perhaps participants framed the question differently depending upon the type of firm they were evaluating. For example, one might trust a lawyer with legal information and trust a CPA with financial information, but not vice versa. If the participants framed this question to

correspond with the above distinctions, then it is understandable that participants would express a similar level of trust for both attorneys and CPAs, although most likely not with similar types of information.

Conclusions

Chapter One proposed five major contributions of this study. The conclusions in this section are based upon these contributions. First, U.S. business professionals' actual perceptions of multidisciplinary practices were examined. Second, the effect of professional affiliation on one's perception of multidisciplinary practices was examined. Third, this study analyzed the effect of company size on participants' perceptions of multidisciplinary practices. Fourth, the relative vulnerability of the accounting and legal professions, respectively, to competition from multidisciplinary practices was assessed. Finally, the general perceptions of business professionals (with respect to CPAs and attorneys) were investigated.

Demand for Multidisciplinary Practices

Participants indicated a certain degree of give-and-take between CPA firms and multidisciplinary practices—preferring CPA firms for financial statement audits but

preferring MDP firms for assistance with mergers and acquisitions. Conversely, participants indicated a strong preference for law firms, as opposed to multidisciplinary practices, for the core law-related services. These results suggest that clients are communicating one message to CPA firms and a different message to law firms.

The message to CPA firms is that they should expand their service offerings. Since the legal profession claims such a large professional territory even in areas where other professions and service providers offer better quality, service, expertise, and value (see Bower 1997, Kostant 2000, and Painter 2000), it is somewhat understandable that the changes desired by the accounting profession would trespass on the areas of expertise claimed by the legal profession. Nevertheless, CPA firms appear to be correctly interpreting the message from their clients to offer more than just "traditional" accounting services.

The message to law firms is quite different. Clients appear to be satisfied with the present structure of the legal profession and are not actively seeking change in this area. However, business professionals appear willing to seek for new service providers in areas that do not specifically require legal expertise (i.e., mergers and

acquisitions). One of these alternate service providers is the accounting profession. Thus, the legal profession does not sense a strong need to change from its clientele. Instead, the demand for change in the legal profession is felt primarily from the accounting profession, and this pressure to change could legitimately be interpreted as nothing more than increased competition for peripheral service offerings rather than as a genuine change in clients' needs and desires.

Clients appear to be putting pressure on the accounting profession, rather than on the legal profession, to make the transformation to multidisciplinary practices. Therefore the accounting profession perceives that the demand for multidisciplinary practices is client-driven while the legal profession perceives the source of the demand for the multidisciplinary practices to come from the accounting profession. In conclusion, the results of this study yield evidence to support the conclusion that the demand for multidisciplinary practices is ultimately client-driven although it is perceived differently by the accounting and legal professions.

Professional Affiliation Bias

In the area of professional affiliation, it is interesting to observe that intra-professional biases were present in both professions. However, this tendency was stronger with attorneys than with CPAs. With respect to every service the responses of CPAs were statistically identical to the responses of non-CPAs/non-attorneys. In addition, CPAs followed the pattern of service provider preference set forth in the ICPAS study (i.e., CPA firms for audits and tax, law firms for litigation and trade regulation, and no preference for mergers and acquisitions). Conversely, attorneys preferred law firms for all services except audits, responding significantly differently from either non-CPAs/non-attorneys or the ICPAS study with respect to mergers/acquisitions and taxation. Based upon these results and using the ICPAS study and the responses of non-CPAs/non-attorneys as benchmarks, CPAs exhibit a mild professional bias while attorneys exhibit a strong professional bias in their choice of service providers.

Company Size Bias

It was considered possible that business professionals in smaller companies might respond differently from

business professionals in larger companies. This expectation was based upon the premise that smaller and larger companies would have different accounting and legal needs. This study provided no support for this proposition; therefore, it is concluded that the size of one's company has no significant effect on one's perception of multidisciplinary practices. However, the fact that all companies in the study were publicly traded may have influenced this conclusion. This limitation will be discussed more fully later in this chapter.

Relative Vulnerability to Competition from Multidisciplinary Practices

The results of hypotheses one through six provide a clear picture of the potential threat that multidisciplinary practices pose to the accounting and legal professions. The results of these hypotheses also further highlight the different messages that clients are sending to CPA firms and law firms, respectively. From these tests, it is apparent that the "exclusive" services or "core competencies" of the accounting and legal professions (i.e., audits and litigation, respectively) are relatively immune to competition from multidisciplinary practices. However, only the legal profession enjoys the protection of its "dominant" services (e.g., trade

regulation/interstate commerce). Business professionals also exhibit a significant preference for MDP firms, as opposed to CPA firms, for the provision of "shared" services (e.g., mergers and acquisitions). Conversely, business professionals did not demonstrate a significant preference between LAW firms and MDP firms with regard to "shared" services (e.g., mergers and acquisitions).

These results suggest that the legal profession is strongly immune to competition from multidisciplinary practices. However, the accounting profession will most likely face intense competition from multidisciplinary practices. The accounting profession may already be feeling this competitive pressure as business professionals seek other service providers for those services not "exclusive" to CPA firms.

Perhaps this also explains the different responses of the two professions. Facing little competition (and thus having little or no impetus to change), the legal profession seeks to maintain the *status quo*. The accounting profession, however, is the focus of sweeping changes; and it is attempting to change itself to better serve the changing needs and desires of its clientele. This explanation fits very well with resource dependence

theory (Pfeffer and Salancik 1978): the accounting profession is adapting to changes in its environment, and the legal profession perceives no changes to its environment that would cause it to need to adapt. However, the way in which the accounting profession is changing is causing changes in the legal profession that the legal profession perceives to be unnecessary.

Business Professionals' Perceptions of CPAs and Attorneys

The final contribution of this study relates to business professionals' perceptions of the characteristics of CPAs and attorneys. The only characteristic upon which business professionals showed a significant difference between CPAs and attorneys was in the area of advocacy. This is not surprising given the CPA's traditional role as auditor/inspector and the attorney's traditional role as advocate/confidant.

The implications of these findings on the success of multidisciplinary practices in the U.S. are mixed. Since business professionals perceive no significant differences between CPAs and attorneys with respect to knowledge/expertise, fees charged, value received, ethics, and trust, it would not seem incongruous for CPAs and attorneys to provide services as partners. Neither

professional group would be "tainted" by the reputation of the other professional group. However, when advocacy is of primary importance to a client, multidisciplinary practices will have to contend with business professionals' perceptions regarding the advocacy of the combined CPA/attorney group. The results of this study indicate that business professionals perceive law firms to have significantly higher advocacy than either CPA firms or multidisciplinary practices. Thus, the mixture of attorneys with CPAs appears to eliminate, or at least greatly impair, the perceived advocacy of a business service firm.

Limitations

There are several limitations of this study that should be cited. The first set of limitations has to do with the data collected, the second set relates to the participants in the study, and the third set refers to other miscellaneous limitations of this study.

No age or gender data was collected from participants. Although this information was not expected to have a significant effect on participant's responses, its absence limits the comparability of this study to future studies.

This study also used ordinal (rather than continuous) data to measure firm size. The normal limitations of using ordinal data thus apply. In addition, the data related to firm size was dichotomized before its use in the analysis. Although some variance was lost because of this dichotomization, dichotomization was deemed necessary to maintain cell sizes at levels sufficient to support reliable analysis.

Although early-versus-late responder analysis was used to assess non-response bias, potential non-response bias is still an inherent limitation of this study. This study also used a mailed research instrument. Although screening questions were used to determine whether or not the specified individual had completed the research instrument, compliance can never be guaranteed in such situations. The response rate for this study, while matching that of studies using similar participant pools, was low. Therefore, the inferences made, though statistically valid, are based upon the responses of a small proportion of the population. The response rate for the MDP firm type research instrument was lower than the response rates for the CPA or LAW firm type research instruments. This may indicate that participants were dissuaded from

participating when they received the MDP firm type research instrument. The companies selected for inclusion in this study were all publicly traded. As such, these companies would have had more in common with each other than with privately owned companies. This limitation was anticipated but was considered necessary to ensure that the participants selected would have been likely to use a Big 4 accounting firm.

Neither CPA firms nor law firms were included in the study. Therefore, their actual motivations for supporting or disapproving of multidisciplinary practices cannot be directly assessed. Thus, conclusions regarding the pressures felt by the accounting and legal professions are somewhat speculative although they are based upon the significant responses of those business professionals who would be most likely to exert such pressure on CPA firms and law firms.

Business professionals' perceptions of the hypothetical CPA firm or law firm they were assigned to evaluate were used as proxies for business professionals' perceptions of CPAs and attorneys. While it may be expected that business professionals would project their perceptions of CPAs and attorneys, in general, onto their

assigned hypothetical firms, such a result is not guaranteed. In addition, there was no way to control for "bad experiences" or participants with "an axe to grind" against either profession. However, it is expected that the randomization process would have dispersed these potential biasing effects across all firm types. Therefore, the likelihood that this limitation would have a significant effect on the results is minimal.

This study was completed shortly after the Enron accounting scandal. Public perception of the accounting profession and subsequent congressional intervention (i.e., the Sarbanes-Oxley Act of 2002) may have introduced bias into the responses of the participants. The researcher had no way to anticipate this event nor could it be controlled for after the fact. Evidence that the potential "Enron effect" (if any) operated consistently between both early and late responders is given by the fact that early and late responders were not significantly different on any of the variables in this study with the exception of the variables ETHICS and TRUST. Interestingly, these variables were higher for late responders than for early responders indicating an "improvement" in the public perception of the ethics and trust of all business service providers. While

this difference could potentially be attributed to the "Enron effect," it is more likely that this difference was spurious.

Along these same lines, recent congressional legislation (e.g., the Sarbanes-Oxley Act of 2002) has reduced the likelihood that full-service multidisciplinary practices will soon be permitted in the U.S. In addition, the establishment of the Public Companies Accounting Oversight Board (PCAOB) to set auditing standards for public companies adds new ambiguities to the future face of auditing. However, the Sarbanes-Oxley Act focuses tightly on the provision of business services *in conjunction with* the audit service. If a firm were to offer all business services *except* audits, it currently appears that this firm would not fall under the influence of the Sarbanes-Oxley Act. In essence, the Sarbanes-Oxley Act has made it more difficult for accounting (i.e., auditing) firms to become multidisciplinary practices, but it has also made it easier for law firms to become multidisciplinary practices by removing a key competitor from this marketplace—accounting firms. Although the political climate was ripe for change in the wake of the Enron scandal, it is uncanny that a body composed mostly of attorneys (i.e., Congress) would pass a

law so restricting accounting practice after the American Bar Association had spent years wrangling over whether or not to permit the legalization of multidisciplinary practices. Perhaps this is the trump card of the legal profession, or perhaps it is the just reward of the accounting profession for not minding its own core values. Perhaps it is some of both.

Future Research

Several avenues of future research are possible. Future studies should focus on extending this field of research in three major veins: international comparisons, professional comparisons, and firm size comparisons. In addition, future research could elucidate the findings of the exploratory principal components analysis related to the use of CPAs and attorneys which revealed a "specialized" and a "generalized" component. These suggestions for future research are summarized below.

1. What are the differences between and among nations that account for the different cultural responses to multidisciplinary practices? (i.e., civil versus common law, free market versus planned economies, etc.)
2. In what ways have multidisciplinary practices been adapted to fit into the cultures within which they currently operate? What services are offered? How are the relationships between the legal and accounting parts of the business designed?

3. How, if at all, do privately held and publicly held firms differ in their perceptions of the advantages and/or disadvantages of multidisciplinary practices?
4. Does the industry in which the participant's firm operates affect the participant's perception of multidisciplinary practices?
5. Do business professionals currently perceive a difference between accounting firms and multidisciplinary practices or do they perceive CPA firms to be *de facto* multidisciplinary practices?
6. What *individual* differences among participants cause participants to perceive multidisciplinary practices as good, bad, or otherwise? Does personality influence one's perception of multidisciplinary practices?
7. Does the accounting profession perceive the same impetus for change as do users of accounting services?
8. Does the legal profession perceive the same impetus for change as do users of legal services?
9. Do CPAs and non-CPAs *in the same position* respond similarly in their choice of business service firms?
10. Do attorneys and non-attorneys *in the same position* respond similarly in their choice of business service firms?
11. What underlying constructs, if any, explain the differences between business professionals choosing to use an accounting firm or a law firm for a given business service?
12. What characteristics do business professionals find most important in their choice of a business service firm?
13. Do the "specialized" and "generalized" components found in this study extend into other business services and/or into other professions? Are they replicable within the accounting and legal professions?
14. What business services would be considered "specialized" and/or "generalized" according to the principal components analysis of the service use variables presented in this study?

Both the accounting and legal professions have called for research on multidisciplinary practices, and this study has answered that call. The demand for firms to expand their service offering beyond traditionally established boundaries appears to be based upon the needs of clients. There are lessons to be learned from the experiences of other countries, but there are also pitfalls within U.S. culture that may not have been previously encountered.

Changing a profession (either one's own or another's) happens neither quickly nor painlessly. As efforts are made to provide the services that clients value in the manner in which they desire to have them provided, efforts should also be made to provide a win-win situation for the professionals who provide such services. Meeting clients' needs will certainly require inter-professional cooperation, trust, and respect. While continuing research is still needed, future studies should enhance understanding between the accounting and legal professions and foster client-focused change and improvement.

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APPENDICES

**Appendix A: CPA Firm Version of Research Instrument
(Typeface reduced for presentation)**

Part I: Assume that your company is in need of the following five business services. Indicate your company's likelihood of using a firm, comprised solely of CPA partners and their staff, to provide each of the following five business services. (1=low likelihood of use to 9=high likelihood of use).

	<u>Low</u>									<u>High</u>
1.) Representation before taxing authorities	1	2	3	4	5	6	7	8	9	
2.) Trade regulation/Interstate commerce	1	2	3	4	5	6	7	8	9	
3.) Financial statement audits	1	2	3	4	5	6	7	8	9	
4.) Mergers and acquisitions	1	2	3	4	5	6	7	8	9	
5.) Litigation	1	2	3	4	5	6	7	8	9	

Part II: In general and across all services, how would you rate a firm, comprised solely of CPA partners and their staff, on each of the following characteristics?

	<u>Low</u>									<u>High</u>
1.) Knowledge and expertise	1	2	3	4	5	6	7	8	9	
2.) Degree of client advocacy	1	2	3	4	5	6	7	8	9	
3.) Level of fees charged	1	2	3	4	5	6	7	8	9	
4.) Value received for fees charged	1	2	3	4	5	6	7	8	9	
5.) Level of ethics	1	2	3	4	5	6	7	8	9	
6.) Level of trust	1	2	3	4	5	6	7	8	9	

Part III: Please provide the following general information.

Please indicate your job title

(Check all that apply.)

- | | |
|---|---------------------------------------|
| <input type="checkbox"/> Owner/Partner | <input type="checkbox"/> President |
| <input type="checkbox"/> Chairman | <input type="checkbox"/> CEO/COO |
| <input type="checkbox"/> VP/Finance | <input type="checkbox"/> Executive VP |
| <input type="checkbox"/> Treasurer | <input type="checkbox"/> Controller |
| <input type="checkbox"/> General Counsel | <input type="checkbox"/> CFO |
| <input type="checkbox"/> Other: _____
(Please Specify) | |

Do you hold any of the following professional credentials?

(Check all that apply, and indicate the number of years held.)

- | | |
|--|--------------------|
| <input type="checkbox"/> Bar License:..... | _____ (Years Held) |
| <input type="checkbox"/> CPA Certificate:..... | _____ (Years Held) |
| <input type="checkbox"/> MBA:..... | _____ (Years Held) |
| <input type="checkbox"/> Professional Engineer (PE): .. | _____ (Years Held) |
| <input type="checkbox"/> Other: _____ (Years Held)
(Please Specify) | |

The number of employees in your company:

- | | |
|---|--------------------------------------|
| <input type="checkbox"/> Fewer than 500 | <input type="checkbox"/> 5,000-9,999 |
| <input type="checkbox"/> 500-1,999 | <input type="checkbox"/> 10,000+ |
| <input type="checkbox"/> 2,000-4,999 | |

Annual sales volume of your company:

- | | |
|--|---|
| <input type="checkbox"/> Less than \$1 million | <input type="checkbox"/> \$500-999.99 million |
| <input type="checkbox"/> \$1-99.99 million | <input type="checkbox"/> \$1 billion+ |
| <input type="checkbox"/> \$100-499.99 million | |

Indicate the largest law firm used regularly:

- | | |
|---|--|
| <input type="checkbox"/> International firm | <input type="checkbox"/> Regional firm |
| <input type="checkbox"/> National firm | <input type="checkbox"/> Local firm |

Indicate the largest accounting firm used regularly:

- | | |
|---|--|
| <input type="checkbox"/> International firm | <input type="checkbox"/> Regional firm |
| <input type="checkbox"/> National firm | <input type="checkbox"/> Local firm |

Thank you for participating in this survey. We appreciate your time and insights.

Appendix B: Law Firm Version of Research Instrument
(Typeface reduced for presentation)

Part I: Assume that your company is in need of the following five business services. Indicate your company's likelihood of using a firm, comprised solely of attorney partners and their staff, to provide each of the following five business services. (1=low likelihood of use to 9=high likelihood of use).

	<u>Low</u>									<u>High</u>
1.) Representation before taxing authorities	1	2	3	4	5	6	7	8	9	
2.) Trade regulation/Interstate commerce	1	2	3	4	5	6	7	8	9	
3.) Financial statement audits	1	2	3	4	5	6	7	8	9	
4.) Mergers and acquisitions	1	2	3	4	5	6	7	8	9	
5.) Litigation	1	2	3	4	5	6	7	8	9	

Part II: In general and across all services, how would you rate a firm, comprised solely of attorney partners and their staff, on each of the following characteristics?

	<u>Low</u>									<u>High</u>
1.) Knowledge and expertise	1	2	3	4	5	6	7	8	9	
2.) Degree of client advocacy	1	2	3	4	5	6	7	8	9	
3.) Level of fees charged	1	2	3	4	5	6	7	8	9	
4.) Value received for fees charged	1	2	3	4	5	6	7	8	9	
5.) Level of ethics	1	2	3	4	5	6	7	8	9	
6.) Level of trust	1	2	3	4	5	6	7	8	9	

Part III: Please provide the following general information.

Please indicate your job title

(Check all that apply.)

- | | |
|---|---------------------------------------|
| <input type="checkbox"/> Owner/Partner | <input type="checkbox"/> President |
| <input type="checkbox"/> Chairman | <input type="checkbox"/> CEO/COO |
| <input type="checkbox"/> VP/Finance | <input type="checkbox"/> Executive VP |
| <input type="checkbox"/> Treasurer | <input type="checkbox"/> Controller |
| <input type="checkbox"/> General Counsel | <input type="checkbox"/> CFO |
| <input type="checkbox"/> Other: _____
(Please Specify) | |

Do you hold any of the following professional credentials?

(Check all that apply, and indicate the number of years held.)

- | | |
|--|--------------------|
| <input type="checkbox"/> Bar License:..... | _____ (Years Held) |
| <input type="checkbox"/> CPA Certificate:..... | _____ (Years Held) |
| <input type="checkbox"/> MBA:..... | _____ (Years Held) |
| <input type="checkbox"/> Professional Engineer (PE): .. | _____ (Years Held) |
| <input type="checkbox"/> Other: _____ (Years Held)
(Please Specify) | |

The number of employees in your company:

- | | |
|---|--------------------------------------|
| <input type="checkbox"/> Fewer than 500 | <input type="checkbox"/> 5,000-9,999 |
| <input type="checkbox"/> 500-1,999 | <input type="checkbox"/> 10,000+ |
| <input type="checkbox"/> 2,000-4,999 | |

Annual sales volume of your company:

- | | |
|--|---|
| <input type="checkbox"/> Less than \$1 million | <input type="checkbox"/> \$500-999.99 million |
| <input type="checkbox"/> \$1-99.99 million | <input type="checkbox"/> \$1 billion+ |
| <input type="checkbox"/> \$100-499.99 million | |

Indicate the largest law firm used regularly:

- | | |
|---|--|
| <input type="checkbox"/> International firm | <input type="checkbox"/> Regional firm |
| <input type="checkbox"/> National firm | <input type="checkbox"/> Local firm |

Indicate the largest accounting firm used regularly:

- | | |
|---|--|
| <input type="checkbox"/> International firm | <input type="checkbox"/> Regional firm |
| <input type="checkbox"/> National firm | <input type="checkbox"/> Local firm |

Thank you for participating in this survey. We appreciate your time and insights.

Appendix C: Professional Firm (MDP) Version of Research Instrument (Typeface reduced for presentation)

Part I: Assume that your company is in need of the following five business services. Indicate your company's likelihood of using a firm, comprised of both CPA and attorney partners and their staff, to provide each of the following five business services. (1=low likelihood of use to 9=high likelihood of use).

	<u>Low</u>									<u>High</u>
1.) Representation before taxing authorities	1	2	3	4	5	6	7	8	9	
2.) Trade regulation/Interstate commerce	1	2	3	4	5	6	7	8	9	
3.) Financial statement audits	1	2	3	4	5	6	7	8	9	
4.) Mergers and acquisitions	1	2	3	4	5	6	7	8	9	
5.) Litigation	1	2	3	4	5	6	7	8	9	

Part II: In general and across all services, how would you rate a firm, comprised of both CPA and attorney partners and their staff, on each of the following characteristics?

	<u>Low</u>									<u>High</u>
1.) Knowledge and expertise	1	2	3	4	5	6	7	8	9	
2.) Degree of client advocacy	1	2	3	4	5	6	7	8	9	
3.) Level of fees charged	1	2	3	4	5	6	7	8	9	
4.) Value received for fees charged	1	2	3	4	5	6	7	8	9	
5.) Level of ethics	1	2	3	4	5	6	7	8	9	
6.) Level of trust	1	2	3	4	5	6	7	8	9	

Part III: Please provide the following general information.

Please indicate your job title

(Check all that apply.)

- | | |
|--|---------------------------------------|
| <input type="checkbox"/> Owner/Partner | <input type="checkbox"/> President |
| <input type="checkbox"/> Chairman | <input type="checkbox"/> CEO/COO |
| <input type="checkbox"/> VP/Finance | <input type="checkbox"/> Executive VP |
| <input type="checkbox"/> Treasurer | <input type="checkbox"/> Controller |
| <input type="checkbox"/> General Counsel | <input type="checkbox"/> CFO |
| <input type="checkbox"/> Other: _____
<small>(Please Specify)</small> | |

Do you hold any of the following professional credentials?

(Check all that apply, and indicate the number of years held.)

- | | |
|--|--------------|
| <input type="checkbox"/> Bar License: _____ | (Years Held) |
| <input type="checkbox"/> CPA Certificate: _____ | (Years Held) |
| <input type="checkbox"/> MBA: _____ | (Years Held) |
| <input type="checkbox"/> Professional Engineer (PE): .. _____ | (Years Held) |
| <input type="checkbox"/> Other: _____
<small>(Please Specify)</small> | |

The number of employees in your company:

- | | |
|---|--------------------------------------|
| <input type="checkbox"/> Fewer than 500 | <input type="checkbox"/> 5,000-9,999 |
| <input type="checkbox"/> 500-1,999 | <input type="checkbox"/> 10,000+ |
| <input type="checkbox"/> 2,000-4,999 | |

Annual sales volume of your company:

- | | |
|--|---|
| <input type="checkbox"/> Less than \$1 million | <input type="checkbox"/> \$500-999.99 million |
| <input type="checkbox"/> \$1-99.99 million | <input type="checkbox"/> \$1 billion+ |
| <input type="checkbox"/> \$100-499.99 million | |

Indicate the largest law firm used regularly:

- | | |
|---|--|
| <input type="checkbox"/> International firm | <input type="checkbox"/> Regional firm |
| <input type="checkbox"/> National firm | <input type="checkbox"/> Local firm |

Indicate the largest accounting firm used regularly:

- | | |
|---|--|
| <input type="checkbox"/> International firm | <input type="checkbox"/> Regional firm |
| <input type="checkbox"/> National firm | <input type="checkbox"/> Local firm |

Thank you for participating in this survey. We appreciate your time and insights.

**Appendix D: Tear-Off Portion of Research Instrument
(Typeface reduced for presentation)**

To receive a summary of the results of this study, please complete the contact information below. Cut along the dotted line above; and return the lower portion of the survey, under separate cover, to the attention of Eric Bostwick at the address indicated on either the cover letter or the business reply envelope.

Name: _____
Address 1: _____
Address 2: _____

City: _____
State/Zip: _____ / _____
E-Mail Address: _____

Appendix E: Sample Cover Letter (First Mailing)
(Typeface reduced for presentation)

250 Brent Lane
Pensacola, Florida 32503

Mr. David Benjamin
Play-Ball, Inc.
123 Diamond Way
Walkertown, PA 12345-6789

Dear CFO:

Which professionals have the skills and abilities to supply advice to those who, like yourself, form the foundation of financial success? Whom do you trust to provide insights and information for the decisions that you will make? Upon whom should the business community rely to provide advisory services?

To answer these questions, I have designed my dissertation as a research project with two objectives. First, this project will investigate new areas of knowledge. Although many have speculated about the need for the various types of business service providers, no one has asked business professionals what they think. Your opinion will provide information beyond mere speculation. Second, this project will have practical application; it is for this reason that you have been selected for inclusion in the research project. Your insights will allow business service providers to adapt to *your* needs and wishes quickly and accurately.

Because of the practical nature of this research, your assistance determines the success of this project. Without your response, valuable information will be excluded from consideration.

Enclosed is a one-page questionnaire. Because this project is designed to seek the opinions of those who make real-world business decisions, it is vital that this questionnaire be completed by the individual who holds the position listed in the address area above. Pre-tests have indicated that completing the questionnaire will take no more than five minutes of your time, and a business reply envelope is included for your convenience.

Your responses will remain confidential and anonymous. If you would like to be included in a follow-up study, please forward your business card (under separate cover) to my attention at the address indicated above. You will be contacted when this future study is conducted. Further, if you are interested in the results of this study, please complete and detach the lower portion of the survey and forward it (under separate cover) to my attention at the above address or the address on the business reply envelope.

If you should have any questions, please contact me by any of the following means:

Phone: (850)-478-8496 x3263
E-mail: bostwick@pcola.gulf.net

Thank you in advance for your time and assistance.

Sincerely,

Eric D. Bostwick
Ph.D. Candidate
The University of Mississippi

This study has been reviewed by The University of Mississippi's Institutional review Board (IRB). The IRB has determined that this study meets the ethical obligations required by federal law and University policies. If you have any questions, concerns, or reports regarding your rights as a research subject, please contact the IRB at (662) 915-3929.

Appendix F: Sample Cover Letter (Second Mailing)
(Typeface reduced for presentation)

250 Brent Lane
Pensacola, Florida 32503

Mr. David Benjamin
Play-Ball, Inc.
123 Diamond Way
Walkertown, PA 12345-6789

Dear CFO:

In November of last year, I sent a letter to 3,000 business professionals asking for their assistance to complete my dissertation. My dissertation has been intentionally designed to get out of the realm of theory and into the "real" business world. Therefore, rather than asking students what they think about the business world, I have chosen to ask you-an active participant in business-about your opinions and observations. Your response determines the success of this project.

If you responded to this earlier letter, I want to express my sincere appreciation for your assistance. Please do not complete a second questionnaire. If other matters kept you from responding, I would like to ask you to take a few moments to complete the enclosed, one-page questionnaire. Completing the questionnaire will take no more than five minutes of your time, and a business reply envelope is included for your convenience.

Your responses will remain confidential and anonymous. If you would like to be included in a follow-up study, please forward your business card to my attention at the address indicated above. You will be contacted when this future study is conducted. Further, if you are interested in the results of this study, please complete and detach the lower portion of the survey and send it, under separate cover, to my attention at the above address.

If you should have any questions, please contact me by any of the following means:

Phone: (850)-478-8496 x3263

E-mail: bostwick@juno.com

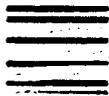
Thank you for taking time to support the inclusion of the "real world" in academic research.

Sincerely,

Eric D. Bostwick
Ph.D. Candidate
The University of Mississippi

This study has been reviewed by The University of Mississippi's Institutional review Board (IRB). The IRB has determined that this study meets the ethical obligations required by federal law and University policies. If you have any questions, concerns, or reports regarding your rights as a research subject, please contact the IRB at (662) 915-3929.

Appendix G: Business Reply Envelope



1001123/1A



The University of Mississippi
School of Accounting
Post Office Box 1040
University, MS 38677-1048

VITA

Eric David Bostwick was born and reared in the suburbs of Atlanta, Georgia. Most of his elementary and secondary education was received from Smyrna Christian Academy (K-5 through 10th Grade). He received his final two years of secondary education at Youth Christian School from which he graduated as valedictorian in 1991.

After graduation, Mr. Bostwick attended Pensacola Christian College (PCC) on a partial academic scholarship. While at PCC, he served as secretary of his collegian (ABA) and earned high marks in his coursework. Mr. Bostwick graduated from PCC *summa cum laude* in 1995.

After working in the accounting department of a mid-sized company in Atlanta, Georgia, Mr. Bostwick returned to his *alma mater*, PCC, to teach accounting and business courses. While teaching, he started work on his Master's of Accountancy degree, which he received from the University of West Florida in 1997. In May of 1998, Mr. Bostwick sat for and passed the Certified Public Accountant examination in the state of Alabama. He received his CPA certificate in August of 1998.

In May of 1999, Mr. Bostwick enrolled in the Ph.D. program in Accountancy at The University of Mississippi. While at The University of Mississippi, he earned the Outstanding Doctoral Student award for the 1999-2000 academic year. Mr. Bostwick completed his coursework and residency requirements and returned to teach at PCC in August of 2001. While maintaining his regular teaching duties, Mr. Bostwick successfully completed his dissertation, receiving his Ph.D. in Accountancy from the E. H. Patterson School of Accountancy at The University of Mississippi in August of 2003.

Mr. Bostwick currently lives in Pensacola, Florida, with his wife, Michele, and his two children, Benjamin and Catherine. In the Fall of 2003, Mr. Bostwick will begin his ninth year of employment at Pensacola Christian College where he teaches Principles of Accounting, Intermediate Accounting, Managerial Cost Accounting, and Microeconomics each semester. He has also taught Introduction to Business and Survey of Accounting. In addition to his teaching duties, Mr. Bostwick also serves as the Chair of the Accounting and Business Departments, a position he has held since August of 2001.