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## PROFESSIONAL LEADERSHIP AND OLIGARCHY: THE CASE OF THE ICAEW

*Abstract:* This paper examines the difficulty of achieving representative and effective governance of a professional body. The collective studied for this purpose is the Institute of Chartered Accountants in England and Wales (formed 1880) which, throughout its existence, has possessed the largest membership among British accounting associations. Drawing on the political theory of organization, we will explain why, despite a series of measures taken to make the constitution of its Council more representative between formation date and 1970, the failure of the 1970 scheme for integrating the entire U.K. accountancy profession remained attributable to the "detachment of office bearers from their constituents" [Shackleton and Walker, 2001, p. 277]. We also trace the failure of attempts to restore the Council's authority over a period approaching four decades since that "disaster" occurred [*Accountancy*, September 1970, p. 637].

### INTRODUCTION

Voluntary associations in common with organizational entities in general have at the apex of their administrative structure a body charged with the responsibility of leadership. In the case of professional associations, such leadership has as a central motivation the pursuit of the professional project on behalf of its members. However, Macdonald [1995, pp. 57-58, 204-205] explains how the membership of a professional body can constrain the capacity of its leadership to mobilize economic, social, po-

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litical, and organizational resources in pursuit of a professional project. Using the Institute of Chartered Accountants in England and Wales (ICAEW) for this case study, we find no shortage of examples of this happening in the last ten years or so. For example, the Council's 2001 proposal to restructure the ICAEW's traditional district society system was overtly challenged and contended in a poll [*Accountancy*, August 2001, p. 12]. Council's plans in 1996 and 1999 to introduce electives (optional papers) into the ICAEW's final examinations met strong opposition and were rejected by the membership [*Accountancy*, February 1996, p. 11; July 1999, p. 6]. Indeed, members have been proactive as well as reactive in challenging the authority of Council. Initiatives taken in 1996 and 1998, designed to achieve direct election of the ICAEW president by the membership rather than by the Council, although defeated in a poll, have been judged to effect a diminution of its credibility [*Accountancy*, February 1996, p. 12; July 1998, p. 20].

Momentous events that further highlight the persistent lack of authority on the part of the Council are the series of failed merger initiatives, including a number in the recent past, where the aspirations of the ICAEW's leadership were thwarted by the membership. The fragmented organizational structure of the U.K. accountancy profession can be traced to the diverse nature of the work undertaken by British accountants in the second half of the 19th century [Edwards and Walker, 2007]. Merger initiatives have been intended to reduce the plethora of societies which, for example, totaled at least 17 in the early 1930s [Stacey, 1954, p. 138] and, as a result, produce the advantages associated with a more unified accountancy profession [Shackleton and Walker, 2001, p. 166; Council Minutes Book Y, p. 148]. There have of course been important instances of successful mergers which include amalgamation of the five societies formed in English cities (Liverpool, London, Manchester, and Sheffield) during the 1870s to create the ICAEW in 1880; combination of the three city-based (Aberdeen, Edinburgh, and Glasgow) societies formed in Scotland in the 19th century to create the Institute of Chartered Accountants of Scotland (ICAS) in 1951; and the merger of the London Association of Accountants and the Corporation of Accountants in Scotland to form, in 1939, what is today known as the Association of Chartered Certified Accountants [Edwards, 2003]. The only other major reorganization of the British accounting profession occurred in 1957 when the second largest accountancy body in Britain, the Society of Incorporated Accountants and Auditors, was dissolved with its members joining

one or other of the then three chartered bodies.

There has been no further merger involving any of the senior professional bodies in Britain for half a century, during which time many initiatives have in fact been mounted only to have then foundered. The first of these marked an event which serves as the focal point for this study – the “disaster” [*Accountancy*, September 1970, p. 637] that occurred when the ICAEW’s membership rejected its leadership’s plan to merge all six senior accountancy bodies in 1970. Subsequent aborted merger plans include the ICAS with the ICAEW in 1989, the Chartered Institute of Public Finance and Accountancy (CIPFA) with the ICAEW in 1990 and 2005, and the Chartered Institute of Management Accountants with the ICAEW in 1996 and 2004. The reasons for failure are seen to be broadly common, “internal wrangling and fiercely guarded brand values” [Perry, 2004].<sup>1</sup>

Every time a proposed merger fails, division between the ICAEW Council and its membership is highlighted [Wild, 2005], the authority of Council is problematized, and more representative arrangements in the Council’s composition are demanded. For example, a letter published in *Accountancy* [July 1996, p. 130] stated that:

Elected but out of touch...Not only is there no means by which the elected Council members do receive the views of their constituents, but their behavior in recent years has shown them to be seriously out of touch with members’ wishes. The issue of merger, for example, has shown time and time again that the Council members did not know, or chose to ignore, the view of their constituents.

The purposes of this study are to explain why the ICAEW Council came to be “detached” from the interests of the membership, lost its authority with the membership, and subsequently failed to re-establish it. To achieve these objectives, the remainder of this paper is constructed in the following manner. First, we locate our study within the relevant prior accounting history literature. Next, we review germane features of the political theory of organization to establish an analytical framework for examining the intra-organizational dynamics between different groups of members within the ICAEW. We then consider whether the ICAEW’s internal regulations succeeded in making provision for a democratically run organization and identify

<sup>1</sup> See also, “Membership ‘Time Bomb’ Drives ICAEW Merger Plan” [2004] and “Members Split on ICAEW-CIMA-CIPFA Merger” [2004].

and distinguish types of criticisms directed in practice at the representative character of the leadership by members and the professional press. In so doing, and by reference to the analytical framework, we trace and analyze the reform of the arrangements made for the election of ICAEW councilors during the period prior to 1970, and consider their effectiveness. We then examine the reasons for the collapse of the scheme for integrating the entire British accountancy profession, drawing attention to and presenting evidence to demonstrate the "detachment of office bearers from their constituents" [Shackleton and Walker, 2001, p. 277]. Finally, we examine and analyze the failure of numerous attempts to restore the Council's authority over a period approaching four decades since that calamity occurred.

The main primary sources consulted for the purpose of this study are located at the Guildhall Library, London, and the ICAEW's office in Milton Keynes.

#### INTRA-ORGANIZATIONAL DYNAMICS IN ACCOUNTING HISTORY

There exists a substantial critical literature on the professionalization of accountancy which is marked by studies of closure strategies<sup>2</sup> pursued by professional accountancy bodies. Many of the works of this genre focus on external relationships – inter-organizational, inter-occupational, and, particularly, state-profession – in the endeavor to offer a "coherent explanation of why some occupations [or segments] successfully become accepted as professionalized whilst others do not" [Cooper and Robson, 1990, p. 374]. There is also a developing literature that spotlights the significance of intra-organizational relationships within an accountancy body, focusing, in the main, on dichotomies between the leadership and the rank-and-file.

Extending work on closure strategies, one strand of the studies of internal relationships examines the interface between the accounting profession and the state. Chua and Poullaos [1993] include an examination of the need to address the concerns of practitioners and non-practitioners when Victorian accountants were attempting to secure state recognition by royal charter between 1885 and 1906. Carnegie et al. [2003] employ the prosopographical method of inquiry to explain why key members of the Incorporated Institute of Accountants, Victoria,

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<sup>2</sup> Murphy [1984, p. 548] defines closure as "the process of mobilizing power in order to enhance or defend a group's share of rewards or resources."

transferred their allegiance to the Australasian Corporation of Public Accountants in order to better pursue acquisition of a charter for those in public practice. Richardson's [1989, p. 415] study of the regulation of accountancy "illustrates the relationship between the internal social order of the profession and its involvement in corporatist structures in one particular jurisdiction," that of Ontario, Canada. He draws on Gramsci's theory of hegemony to examine the way in which consent was manufactured and dissent managed during creation of the Public Accountants Council. Shackleton's [1995, p. 40] study of Scottish chartered accountants up to World War I reveals "significant schisms" within the membership of the dominant Society of Accountants in Edinburgh that problematized relationships with the state over the period 1853-1916. Noguchi and Edwards' [2004a] study of the ICAEW leadership's determination to ensure that its 1944 submission to the Cohen Committee on Company Law Amendment was consistent with state priorities resulted in rejection of unwelcome proposals put forward by district societies and refusal of requests to make independent submissions. Noguchi and Edwards [2004b] reveal disagreement between practicing and industrial members concerning how to tackle the pressing issue of inflation accounting between 1948 and 1966, and demonstrate how the Council of the ICAEW resolved this internal conflict within the constraints imposed by the need to be seen to behave in the "public interest."

A second type of intra-organizational investigation focuses on the interaction between the leadership and the membership of an accountancy body over contentious issues such as merger with other professional associations. Often, a key concern of the members is the loss of product branding which is deemed to be an important part of members' identity in the marketplace and, therefore, "infused with value" [Richardson and Jones, 2007, pp. 135-136]. Richardson and Jones show the process through which the 2004 proposed merger between the Canadian Institute of Chartered Accountants and CMA Canada failed, "largely because of the reaction of members of each association to either the potential loss of their designation [in order to join the merged body] or the dilution of their 'brand' equity [by granting the continuing designation to new members through the merger rather than through traditional entry processes]." In the U.S., the AICPA's global credential initiative was put to a vote, in January 2002, which "revealed a startling disconnect between the elite of the profession and the members in whose name they claimed to work" [Fogarty et al., 2006, p.16; see also, Shafer

and Gendron, 2005]. Within the British context, Shackleton and Walker's [2001, p. 235] study of the period 1957-1970 explains how Henry Benson's early (1966) acknowledgment of the fact that the merger "proposals would initially involve dilution and, therefore, a reduction in status as a starting point" proved too bitter a pill for ICAEW members to swallow.

Following the second line of investigation, this study conducts a theoretically informed analysis of conflict of interest between different groups of the membership arising from the constitutional arrangements made for the election of the ICAEW's Council. In the next section, we review relevant aspects of the political theory of organization to establish the analytical framework for this study.

### POLITICAL THEORY OF ORGANIZATION

Building on Max Weber's thesis on bureaucracy, Michels [1962, p. 365] formulated a political theory called "the iron law of oligarchy" in his book *Political Parties*, first published in 1911. "Whoever says organization, says oligarchy," he argued, on the grounds that all forms of organization, as the inevitable outcome of their growth, eventually develop into an oligarchic polity despite the continued existence of formal democratic practices. Jenkins [1977, p. 569] called this facet of Michels' iron law the "organizational transformation" thesis. Scott [2003, p. 343] agrees that "most unions, most professional associations and other types of voluntary associations, and most political parties exhibit oligarchical leadership structures."

*Emergence of Oligarchy:* Following Cassinelli [1953], Jenkins [1977, p. 571] defines oligarchy as "the ability of a minority in an organization, generally the formal leadership, to make decisions free of controls exercised by the remainder of the organization, generally the membership," and further explains: "For a voluntary organization officially committed to pursuing the interests of members...oligarchy means that the policies of the organization reflect the preferences of elites rather than the views and interests of its members."<sup>3</sup>

Oligarchy emerges because leaders of the organization wish to maintain their place on the ruling body and "because the positions provide them with economic rewards and social status"

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<sup>3</sup>Leach [2005, p. 316] stated that "oligarchy is best understood as a particular distribution of illegitimate power that has become entrenched over time."

[Osterman, 2006, p. 623]. Once leaders are appointed, they use their position to maintain, or if possible enhance, their power or attendant prestige by controlling the flow of information within the organization and mobilizing their political and organizational resources, with the result that the rank-and-file of the organization are deprived of opportunities to exercise its own power to challenge the leadership [Lipset et al., 1956]. According to Jenkins [1977, p. 569]:

As the organization experiences membership increase, the ability of members to participate directly in the making of policy is curtailed. The members may retain formal control through the election of officers. However, growth also entails installation of centralized means of communication and formalized procedures. Both of these factors insulate officers from controls by members despite the check of periodic elections. Officers can use centralized communications to control the agenda of issues and can block challenges through formal procedures and administrative co-optation.

Importantly, the leaders have the power to co-opt junior officials who share their values and orientation, with the result that the oligarchy becomes self-perpetuating.

*Subsequent Development of Political Theory:* Empirical and theoretical studies that followed the Weber-Michels model of organization elaborated it along three main lines – an explication of the sources, dynamics, and consequences of the “iron law”; an empirical testing of the model; and “an examination of contingent circumstances in which the iron law does not take hold or when it is reversed” [Osterman, 2006, p. 622]. The third line is particularly significant because it amends the model’s universality by arguing that the advent of oligarchy is not inevitable, as Michels claimed, but contingent on a particular set of conditions.

The case for the contingent nature of oligarchy was persuasively presented by Zald and Ash [1966, pp. 328, 340], who criticized the Weber-Michels model as ignoring environmental factors surrounding organizations and insisted that “the Weber-Michels model can be subsumed under a more general approach...which specifies the condition under which alternative transformation processes take place.” They examined various conditional terms, both internal and external (including interaction with other organizations), and concluded that there is no evidence confirming the inevitable advent of oligarchy.

The argument of Zald and Ash [1966] encouraged subsequent empirical studies of the contingent nature of oligarchy. Jenkins [1977, p. 570], drawing on the results of Edelstein and Warner [1976] and Rothschild-Whitt [1976], argued that the advent of oligarchy depends upon such factors as absence of influential factions, weak procedural guarantees in competitive elections, and differences in ideological commitments between elite and general members. Other studies identify the following additional conditions that influence whether oligarchy emerges – characteristics and social status of the organization's members [Lipset et al., 1956; Clemens, 1993], decision-making structure, characteristics of the leadership, and age of the organization [Staggenborg, 1988; Minkoff, 1999].

Germane to this study, the question of how organizations can reverse or break away from an oligarchic situation has also been actively researched [Osterman, 2006, p. 625]. Voss and Sherman [2000, p. 304] examined the revitalization process of the American labor movement that had suffered “the entrenched leadership and conservative transformation associated with Michels's iron law of oligarchy,” while Isaac and Christiansen [2002] depicted the process of how workplace labor militancy was revitalized by civil rights movement insurgencies and organization. The most widely recognized phenomenon caused by oligarchy is loss of commitment and energy on the part of the membership, which Zald and Ash [1966, p. 334] called “becalm-ing.” Piven and Cloward [1977] described how membership's energy is lost when an organization for a poor peoples' movement becomes bureaucratized, while Voss and Sherman [2000] revealed that the decline of the labor union movement was caused by the loss of membership commitment. In the context of the labor union movement, Voss and Sherman [2000, pp. 304-305, 309] identified three pre-conditions for overcoming oligarchic symptoms and restoring organizational vitality:

First, some local unions experienced an internal political crisis that fostered the entry of new leadership, either through international union intervention or local elections. Second, these new leaders had activist experience in other social movements, which led them to interpret labor's decline as a mandate to organize and gave them the skills and vision to implement new organizing programs using disruptive tactics. Finally, international unions with leaders committed to organizing in new ways facilitated the entry of these activists into locals and provided locals with the resources and



legitimacy to make change that facilitated the process of organizational transformation.

Voss and Sherman further suggest potential for their findings to be applicable to other organizations by stating that the factors identified “provide a useful template with which to examine other institutionalized organizations that innovate in a radical direction or fail to do so.”<sup>4</sup> Among the factors Voss and Sherman identified, political crisis within the organization<sup>5</sup> and an influx of new leaders to wield influence, are of importance to this study.

We can therefore conclude that the political theory of organization is a promising basis for analyzing the problematic leadership of the ICAEW because the theory postulates that all leaderships have the potential to become oligarchic as they grow; the theory is applicable to voluntary associations such as professional bodies; the theory suggests that the leadership’s determination to maintain control causes them to pursue policies that are in their interests rather than those of the general membership; and growth in size and the development of organizational structures limit the members’ power to influence/control the leadership. But the theory also acknowledges the fact that oligarchy is not inevitable; it depends on internal conditions and can be overcome in appropriate environmental circumstances.

### CONSTRUCTING A DEMOCRATICALLY ELECTED COUNCIL

The organizational structure of the ICAEW consists of the Council and a variety of sub-systems which include district societies and numerous Council-appointed committees. The Royal Charter (1880) gave Council responsibility for the management and superintendence of the Institute’s affairs and, as “the policy-making body,” it has reigned over the ICAEW throughout its history. Given the purpose of this paper, it is necessary to consider whether the ICAEW’s internal regulations match the theoretical characteristics of a democratically created organization.

According to Merton [1966, pp. 1057-1058], “The democratic organization provides for an inclusive electorate of members

<sup>4</sup>Voss and Sherman [2000, p. 345] added that “the elements of crisis, new leaders with novel interpretations, and centralized pressure are likely to be key.”

<sup>5</sup>Voss and Sherman [2000, pp. 327, 343] identified disastrous strikes and mismanagement of the local union as examples of political crises and concluded: “These crises were important primarily because they resulted in a change in leadership” and that “radical changes necessitate new leadership.”

and for regularly scheduled elections.” Merton adds: “The democratic organization must provide for initiatives of policy to come from elected representatives and to be evaluated by the membership through recurrent elections of representatives.” Thus,

In one form or another, a democracy must provide for a legislative body: a Congress, a Parliament, or a House of Delegates...It is, therefore, all the more important that a voluntary association's legislative body, which usually represents the near-ultimate authority of the association, be representative of the diverse interests and values of the entire membership.

The ICAEW's Royal Charter provided that the power of the Council should be subject to the control and regulation of special and annual general meetings (AGMs). The original by-laws provided for the Council to consist of 45 members of whom the nine longest serving were required to retire each year and were eligible for re-election. Filling a vacancy on the Council required formal approval at an AGM. Provision was made for additional candidates to be nominated in writing by ten members. In the event of a vacancy occurring between AGMs, the Council was empowered to appoint a replacement who would retire and be eligible for re-election on the same date as the person replaced. At meetings of the ICAEW, members had equal voting rights and, therefore, were able to make their voices heard and views reflected in the organization's affairs, either directly through the approval of major decisions taken by the Council (e.g., proposals to reform the by-laws) or indirectly through the elections of councilors.

### CRITICISM OF LEADERSHIP ARRANGEMENTS

The previous section reveals that the policy formulation and decision-making criteria for a democratically run organization were formally satisfied in the case of the ICAEW, and one might therefore expect the legislative body, the Council, to be “representative of the diverse interests and values of the entire membership” [Merton, 1966, p. 1058]. In practice, the Council was, from very early on, judged by both the membership and the accounting press to consist instead of self-perpetuating elites. There were four inter-related elements in the criticism of how the ICAEW's leadership was constituted in practice – over-representation of leading firms, unbalanced geographical representation, biased re-election arrangements, and non-representation of business members.

*Over-Representation of Leading Firms:* The ICAEW's first Council included five cases of two members coming from a single accounting firm.<sup>6</sup> Apart from Thomas, Wade, Guthrie & Co., these were all London partnerships. The author of the ICAEW's official history, himself a former president, records that criticism of this feature of the Council's composition was aired early on [Howitt, 1966, p. 28]:

It was advanced that the affairs of the Institute were being handled by too small and privileged a circle, and at the second Annual General Meeting in 1883 a motion was proposed to prevent any firm of accountants from being represented by more than one member on the Council... The question remained a contentious one.

The Council's response was that this arrangement had been given "the most grave consideration...at the foundation of the Institute" [*Accountant*, May 5, 1883, p. 13] but allowed to stand. Indeed, it had been created because of the desire to present a strong public profile. According to councilor C.F. Kemp, citing the example of representations made to the government concerning the Bankruptcy Bill 1883, "it was necessary to bring the greatest possible influence they could obtain to bear, and... without the recognised names which they possessed they [the ICAEW] would not be in the position which they now occupied" [*Accountant*, May 5, 1883, p. 11]. However, to prevent any further extension of the representation of leading firms, it became an "unwritten rule" that "not more than two partners in the same firm should serve on the Council at the same time" [Council Minute Book Y, p. 4; File 1490].<sup>7</sup>

*Geographical Representation:* The ICAEW was originally formed from the amalgamation of five societies, of which four primarily catered for public accountants working in the cities where they were formed – Liverpool, London, Manchester, and Shef-

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<sup>6</sup> E. Guthrie and C.H. Wade from Thomas, Wade, Guthrie & Co.; R.P. Harding and F. Whinney from Harding, Whinney & Co.; A.C. Harper and E.N. Harper from E. Norton Harper & Sons; W. Turquand and J. Young from Turquand, Youngs & Co.; and W.W. Deloitte and J.G. Griffiths from Deloitte, Dever, Griffiths & Co.

<sup>7</sup> This rule was abandoned in 1966 because "it could prohibit members who could give valuable service to the Institute as members of the Council from being appointed to the Council" [Council Minute Book Y, p. 42]. From that date, Council adopted a "rule of guidance" that "not more than three members in direct partnership relationship may serve concurrently as members of the Council" [Council Minute Book Z, p. 92].

field. The inaugural 45 Council seats were, with two exceptions,<sup>8</sup> allocated between the founding associations [Howitt, 1966, p. 24]<sup>9</sup> and, therefore, were inevitably heavily biased in favor of those geographical areas. The geographical distribution of Council membership was questioned at the very first AGM held on June 7, 1882, when A. Murray suggested that "Such towns as Newcastle and Bristol should be represented" [*Accountant*, June 10, 1882, p. 10]. G.B. Monkhouse, Newcastle upon Tyne, and E.G. Clarke, Bristol, were appointed to the Council later that year, and the 1883 AGM was informed that Council had been "strengthened" by the election of these "eminent accountants from districts hitherto unrepresented" [*Accountant*, May 5, 1883, p. 13].

The ICAEW's leadership did not immediately embrace enthusiastically the notion of geographical equality, however, with the General Purposes Committee (GPC) deciding in July 1888 that "it is not desirable to go into statistics of membership with a view to redistribution of the members of the Council among the various districts in proportion to the members of the Institute residing in those districts" [Ms.28416/1, p. 97]. Within a decade, we detect a softening of the GPC's stance when recommending in October 1897 that south Wales be represented for the first time on the Council through the appointment of R.G. Cawker [Ms.28416/2, pp. 10, 15]. Council again remained unmoved, but gradually responded to pressure for provincial representation so that, by 1901, a revised quota system had been instituted. Of the 45 available places, 12 were allocated to the four existing societies (Birmingham, Liverpool, Manchester, and Northern) and a further eight to major cities. The remaining 25 places were reserved for London members.

The opening move to improve further provincial representation occurred at the 1901 AGM when W.R. Hamilton of Nottingham complained of "the over-representation of London" and requested the Council to take steps designed to achieve representation on the Council "in some measure corresponding to the [geographical] distribution of accountants" [*Accountant*, May 4, 1901, pp. 534-535]. This plea met with a stonewalling response

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<sup>8</sup>Through effective political manoeuvring [Walker, 2004, chapter 11], Edwin Guthrie and Charles Henry Wade, who belonged to none of the five merging institutions, were not only admitted as founder members but were also allocated seats on the Council.

<sup>9</sup>Of 45 Council seats, 20 were allocated to the Institute of Accountants, 14 to the Society of Accountants, three to the Manchester Institute (in addition to Wade and Guthrie), and three each to the Liverpool Society and the Sheffield Institute.

from Ernest Cooper, president 1899-1901, who insisted that "all they [the Council] desired was the best possible process of getting the best possible men on the Council" [*Accountant*, May 4, 1901, p. 536], further explaining that the role of the quota system was to help maintain "a fair proportion between the country members and the London members." If, instead, the matter was left to the general body of members, Cooper believed that the inevitable result would be "to elect far more London men than at present, because the great body would be in London" [*Accountant*, May 4, 1901, pp. 536-537].<sup>10</sup>

Continued and persistent complaints from provincial members eventually produced positive results, with the grant of Council representation often appearing to follow as a reward for forming a local society.<sup>11</sup> A wider degree of provincial members' representation on Council was therefore achieved, with the selection of members being made by the Council based on nominations from provincial societies. However, wider representation for the provinces did not necessarily mean *increased* representation. By 1950, 13 provincial societies had been created, and the number of Council members assigned to them was 21, only one seat more than the 1901 allocation. The majority (24) of Council seats continued to be assigned to London members.

*Re-election Arrangements:* There were a number of features of the re-election arrangements which were thought to have perpetuated control by elites on the Council and to have made it difficult to counter its biased composition both in terms of geography and the favoritism accorded the leading firms.

Those retiring by rotation were routinely re-elected, causing a contributor to *The Accountant* to complain that "the Council is *not* representative as it should be by the Bye-laws of the Charter. For the last nineteen years (I think without a single exception) the Council have re-elected themselves!" [*Accountant*, June 9, 1900, p. 533]. Criticisms were also directed, persistently and vehemently, at the practice of the Council filling vacancies that arose between annual meetings, an action which, it was felt, de-

<sup>10</sup>The dissatisfaction among Nottingham members was settled in 1907, when T.G. Mellors of Mellors, Basden & Mellors, Nottingham was appointed to the Council. *The Accountant* [December 14, 1907, p. 726] reported that "The appointment is an excellent one in every way; but perhaps especially so because it removes a grievance under which Nottingham has been suffering for some years past."

<sup>11</sup>Nottingham (1907), South Wales (1913), Leicester (1930), South Eastern Society (1939), East Anglian Society (1939)

prived the membership from having its say at the next AGM: "If a councillor dies or retires a Mr. Brown or a Mr. Jones is given the situation, and the members who annually retire by rotation are re-elected *nem. con*" [*Accountant*, June 9, 1900, p. 533].<sup>12</sup> The issue was raised at the 1901 AGM when Hamilton referred "to the very old grievance of the filling-up of vacancies occurring in the Council during the year by the Council, instead of leaving those vacancies to be filled up by the members" [*Accountant*, May 4, 1901, p. 534]. Proposals that casual vacancies should be left unfilled until the next AGM, made at Council meetings by such luminaries as Frederick Whinney in 1882 and George Walter Knox in 1885, met with no success [Ms.28411/1, pp. 167, 402; see also, Ms.28411/2, p. 300; Ms.28416/1, p. 97]. Indeed, on October 14, 1896, Council explicitly resolved "not to make any departure from the existing practice" of filling casual vacancies [Ms.28411/4, p. 115].

It could well be argued that the members literally had the solution in their own hands, but that they failed to exercise it. A supplementary report of the GPC, dated February 26, 1919, stated that "there has been no notice nominating candidates in opposition to retiring members of the Council for the last 32 years" [Ms.28435/16]. Nor has our examination of the available archival data revealed a single instance of retirement by rotation leading to a change in Council membership. *The Accountant* [May 5, 1894, p. 408] makes the reasonable point that it was "a very invidious task for the ordinary members to object to persons who had once been elected." But members' inaction enabled the Council to respond to criticism as follows: "On one occasion a vote was taken, so that the rules of procedure did not prevent the introduction of anybody;<sup>13</sup> or at any rate the testing of the feeling of the members in regard to any person who might be put forward" [*Accountant*, May 5, 1894, p. 408; see also, May 9, 1896, p. 396].<sup>14</sup>

The issue of Council control over new appointments also had a more general dimension. When a member of a provincial

<sup>12</sup> See also, *Accountant*, May 13, 1893, p. 453; May 5, 1894, p. 408; May 12, 1894, p. 423; May 12, 1894, pp. 424-425; December 21, 1895, p. 1031; May 9, 1896, p. 396; June 23, 1900, p. 573; March 18, 1901, p. 327.

<sup>13</sup> This justification was somewhat disingenuous given that the vote took place only because of Council's failure, due to an oversight, to fill a vacancy created by a member's sudden resignation.

<sup>14</sup> The case referred to was probably the only instance we have found of an election taking place, resulting in the appointment to Council of F.H. Collison, London, in May 1887 [*Accountant*, May 2, 1887, p. 271].

society retired, the society had the right to put forward nominations for his replacement, but the Council reserved the power to choose between the nominees. The position was even worse in London where the appointment remained entirely in the hands of the London Council members. The autocratic nature of this prerogative is further underlined by the fact that the London members of the Council maintained, from 1899 onwards, "waiting lists" of prospective councilors "in order to ensure continuity in the work of the Council and *the maintenance of its traditions*" [Ms.28435/16, *emphasis added*].

It was mainly to address this latter situation that, in July 1920, a group of younger London members pressed for the creation of "a Society of Chartered Accountants for London on lines similar to the existing Provincial Societies...to act together in a corporate capacity upon questions which arise from time to time affecting the interests of the profession" [*Accountant*, July 17, 1920, p. 58; see also, Loft, 1990, p. 39]. To appear to respond positively to the London members' concerns, the Council established instead the London Members' Committee. This arrangement failed to satisfy the London members' principal aspiration which was to achieve "the privilege," in common with provincial societies, of "nominating men to fill vacancies on the Council as and when such vacancies should arise for London men" [*Accountant*, January 29, 1921, pp. 121-122]. The London Members' Committee was, in the estimation of *The Accountant* [January 29, 1921, pp. 121-122; see also, London Members' Committee Minutes Book A, p. 4], designed only to facilitate social intercourse among London members.

It was to be a further 21 years (1942) before the anomaly was addressed and, even then, the London Members' Committee (by this time called the London & District Society) was authorized to make nominations to Council for filling a vacancy only *after* consultation with the London members of the Council. The surviving records of recommendations made by London councilors and the nominations subsequently transmitted to the Council by the committee of the London & District Society prove fairly conclusively that the views of London councilors dominated the appointment process [London Members' Committee Minutes Books B, p. 188; C, pp. 7, 108, 177, 200, 245, 263; London & District Society Minutes Books D, pp. 74, 155, 158; E, p. 3].

A final objectionable feature of re-election arrangements was the subject of a leading article in *The Accountant* [May 21, 1904, p. 669; see also, *Accountant*, July 9, 1904, p. 41]: "Council

...hold office...by a sort of 'apostolic succession' from the original Fathers of the Institute, and in no *real* sense have the general body of members had a voice in either their nomination or election." Apostolic succession meant that councilors, on death or resignation, would be replaced by another partner in the same firm, and this sometimes would literally involve a son succeeding his father in that role. For example, in 1897, when Council rejected the request for south Wales representation, it instead appointed E. Edmonds in place of W. Edmonds of Portsmouth. Personal correspondence, dated November 29, 1925 from J. B. Woodthorpe to Sir William Henry Peat, a London councilor, concerning the death of John William Woodthorpe, also demonstrates this version of apostolic succession: "I believe there are several precedents of a son succeeding his father on the Council, and, if this should happen in the present case, I should esteem it was a very great honour" [Ms.28435/16]. More often there would be no family connection, with a prominent example from this genre occurring when Samuel Lowell Price was succeeded by his founder partner Edwin Waterhouse in 1887. Overall, we can therefore conclude that in 1942 and beyond, the Council retained, substantively, the character of a self-elected body.

A final feature of the non-representative composition of the Council concerns the complete exclusion throughout the first 60 or so years of the ICAEW's history of any representation whatsoever of business members. It is to this issue that we now turn.

*Business Members:* At the 1919 AGM, Mark Webster Jenkinson, a London practitioner, argued that "there is a very strong feeling among the members, particularly among the younger members, that some more progressive policy on the part of the Institute itself is necessary" [*Accountant*, May 10, 1919, pp. 398-399].<sup>15</sup> As the result of his work as controller of factory audit and costs at the Ministry of Munitions during World War I, Jenkinson had reached the conclusion that cost accounting was an area of growing importance, that chartered accountants knew less than they should about it and that, if they failed to "deliver the goods," a new profession would spring up to fill the vacuum [*Accountant*, January 18, 1919, p. 46]. Jenkinson's wide-ranging

<sup>15</sup> *The Accountant* [January 25, 1919, p. 54] reported on Jenkinson's proposals as follows: "there can...be very little doubt that they will meet with very widespread support among the members of the Institute, and particularly the younger members, especially when put forward by so undoubtable a champion of the younger generation's rights as Mr. Webster Jenkinson."



proposals for reform included a system of proportional representation to ensure fair treatment of each geographical district and, significantly, in light of his deep-seated concern about the appropriate future direction of the Institute, three councilors drawn from the non-practicing membership [*Accountant*, January 25, 1919, p. 54; Ms.28448].

Frederick John Young, president 1917-1919, responded by creating a committee to consider the subject consisting of ten members of the Council, nine representatives from each of the provincial societies, and two other London members of the Institute [*Accountant*, May 10, 1919, p. 398]. A confidential letter, dated April 3, 1919, from R.H. March, a Cardiff councilor, to George Colville, secretary of the ICAEW, reveals that the Special Committee was formed principally to pacify dissatisfaction among members [Ms.28448]:

the Council should not oppose any wishes which might be put forward by the general body of members for the consideration of this subject, and should be willing to listen to any suggestions which may be put forward for the welfare of the profession...if a little tact is shown now it may have the effect of preventing any show of irritation or temper at the Annual Meeting.

Given these sentiments and Council's domination of the investigating committee, it is unsurprising that its report made no provision for non-practitioner representation on the Council. It did put forward certain recommendations, one of which *might* have proved significant in addressing Jenkinson's concerns [*Accountant*, February 7, 1920, p. 152; Ms.28448]:

(E) That the present procedure of the Council under which the Provincial Societies are consulted with regard to the filling of casual vacancies of the Council under Bye-law 10 be continued when such vacancy arises, and that as far as may be the representation of the Provincial Societies on the Council should be proportionate to the total membership in England and Wales.

The Council endorsed the other recommendations without qualification, but specifically emphasized that "The *present procedure* as defined by the Committee under 'E' will be continued by the Council" [*Accountant*, February 7, 1920, p. 152, *emphasis added*; Ms.28448].

The issue of business members' representation resurfaced as the numbers employed in industry and commerce became

more substantial. Table 1 reveals that around the time of Jenkinson's intervention on behalf of business members, just 5% (191 of 3,797) of the traceable membership worked in business. The position then changed dramatically. The number of business members roughly trebled in both the 1920s and 1930s and accounted for 17.2% (1,612 of 9,349) of the traceable membership in England and Wales in 1939.

**TABLE 1**  
**Categorized Membership of the ICAEW in**  
**England and Wales in Selected Years**

Members	31/08/1920	01/09/1929	31/10/1939	09/11/1946	01/12/1956
Public accountants	3,606	5,755	7,737	6,840	9,161
Business accountants	191	518	1,612	2,493	4,337
Total traceable	3,797	6,273	9,349	9,333	13,498
Not traceable <sup>16</sup>	995	1,444	2,838	2,854	3,409
Retired	-	-	-	-	415
Total	4,792	7,717	12,187	12,187	17,322

Source: Membership Lists for 1921, 1930, 1940, 1947, 1957.

E.M. Taylor who, like Jenkinson, had stressed the growing importance of cost accounting in the aftermath of World War I [*Accountant*, June 19, 1920, p. 712], presented to the 1941 AGM the following resolution designed to address the absence of representation of the rising number of business members [Ms. 28432/19, *emphasis added*]:

In the interests of the whole membership of the Institute, it is desirable that the Council shall include not less than five Associates, *whether practising members or not*, and that the members of the Council be invited to lay before the next Annual General Meeting of the Institute proposals to give effect to this policy.

The Council instead introduced reforms that failed to address directly the matter at issue. C.J.G. Palmour, president 1938-1944, informed the 1942 AGM that non-practicing members could "best serve the interests of those by whom they are

<sup>16</sup>Members for whom the listings contain, at best, private addresses are included in the "Not traceable" category. The numbers of "Retired" members are not separately identified between 1920 and 1946 and, accordingly, are also included in "Not traceable" category. The proportion of "Not traceable," when compared with the other categories, is stable at around 21.7%. Thus, the trend revealed by the statistics is considered to be a reasonably reliable indication of the increase in number of business members.

employed and the country generally in taking an active part in those [technical] spheres rather than in attempting to apply their minds to matters affecting the administration of the affairs of practising accountants" [*Accountant*, May 30, 1942, p. 303]. The outcome was the formation of the path-breaking Taxation and Financial Relations Committee [Zeff, 1972, p. 8] to investigate technical matters and, through its mixed membership, "establish an active and effective liaison between the practising and non-practising sides of the profession" [Ms.28432/19].

The Council's success in again sidelining the representation issue, as occurred with the formation of the London Members' Committee in 1920, was short-lived this time. The Council's attitude towards the representation of business members was at last softening, possibly because of the rapidly rising proportion of business members, and perhaps in recognition of business members' valuable contributions to the work of the Taxation and Financial Relations Committee. Between 1943 and 1948, the London and Manchester district societies successfully nominated four business members for positions on the Council. The situation was extended and formalized at the 1950 AGM when the president, Russell Kettle of Deloitte, announced the creation of a pool of up to five Council seats<sup>17</sup> exclusively available to non-practising members. But he also reaffirmed "the principle" that "having regard to the objects for which the Royal Charter was granted, membership of the Council should as a general rule be confined to practising members" [*Accountant*, May 13, 1950, pp. 541-542].

Continued pressure for a greater voice for business members bore further fruit through the formation of a GPC Subcommittee (Non-Practising Members) in 1951 and the Consultative Committee of Members in Commerce and Industry in 1957 to consider matters relating to the interests of business members [GPC Minutes Book J, p. 180] and to convey "broad and exclusively non-practising opinion held by persons of eminence in industry and commerce" [GPC Minutes Book M, p. 175]. In the view of business members such as J. Clayton, however, the formation of such a committee was not the most effective means for improving the representation of the interest of business members. He argued [File 5-8-14] that:

what was needed was proper integration of the two [practising and non-practising] sides of the profession

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<sup>18</sup>As a consequence, the quota allocated to provincial societies was reduced from 21 to 19 and London from 24 to 21.

and this could only be done by opening the Council to more non-practising members. Industrial opinion would then be properly assimilated at all levels and in all Committees.

The Consultative Committee of Members in Commerce and Industry resolved in October 1962 that the GPC should be asked to support an increase in the size of the Council from 45 to 60, with 15 seats to be allocated to members in commerce and industry [GPC Minutes Book R, p. 137]. Also, to help achieve "the right balance of sound judgment and experience on the one hand and special skills necessary to conduct the wide range of its work on the other" [GPC Minutes Book R, pp. 135-136], GPC recommended the introduction of a system of co-option of up to six additional members as "a reserve to be filled at the absolute discretion of the Council" [GPC Minutes Book S, p. 60]. These proposals were approved by a special general meeting of the ICAEW membership held on September 23, 1965 [Council Minutes Book W, p. 154]. As a result of seat re-allocations, the balance between practitioners in London and the provinces favored the latter for the first time in the history of the ICAEW, 24 seats compared with 21.

The above four inter-related criticisms, sustained over the period 1880-1970 and directed at the Council's lack of fair representation of the membership, raise serious doubts over whether the democratic leadership arrangements contained in the ICAEW's internal regulations were effective in practice. Certainly, many members thought the Council was not representative of the diverse interests of the membership, but were their criticisms justified? The next sub-section addresses this issue in three ways; namely, by examining the geographical allocation of council seats in relation to membership levels, the distribution of council seats in relation to the size and location of accounting firms, and the division of seats between accountants working in public practice and in business.

*Analysis of Distribution of Council Seats:* Over the period 1880-1970, 308 individuals, including the founder councilors, were appointed to the Council [Ms.28411/1-14; Council Minutes Books O-AB], of whom 29 were members in industry and ten, including two further business accountants, were recruited when the Society of Incorporated Accountants and Auditors was absorbed into the three chartered institutes in 1957. The remaining 269 were practicing members.

Numerical information concerning the membership of each of the main district societies and the number of Council seats allocated to the geographical areas that they covered at five different dates between 1907 and 1956 is given in Table 2. It reveals that London members were consistently over-represented on the Council, based on their share of total U.K. membership in comparison with most provincial societies at most dates. The over-representation was greatest in 1907, but still material in 1956 when each of the other identified geographical areas continued to be under-represented. As noted above, the number of seats allocated to the provincial districts exceeded those for London for the first time in 1965, with the result that London's share fell from 52.5% to 46.7%. Even then, London members remained heavily over-represented as their contribution towards the total U.K. membership had declined to 37.5% by 1972 [Council Minutes Book AF, p. 231].<sup>18</sup>

To study allegations that Council membership was dominated by a limited number of large, long-standing London firms, we have identified those which either had a member on the first Council of the ICAEW or were formed 15 years or more prior to 1880 [Boys, 1994, pp. 17-18, 56-58; see also, Parker, 1980, pp. 36, 39-42; Matthews et al., 1998, pp. 283-322]. This exercise produced a list of 30 London "founder" firms. The numbers of Council seats occupied by partners in these firms and qualified accountants employed at these firms at five dates between 1920 and 1956 are given in Table 3.<sup>19</sup> Corresponding figures also appear in Table 3 for "other London firms" and "non-London firms" in England and Wales. We have applied the chi-square test to examine the statistical significance, if any, of the difference in levels of Council representation at each of the five dates between London founder firms and the other two groups. At the first two study dates (1920 and 1929), the results were significant at the 5% level, given there is only one degree of freedom. For 1939, the test proved significant at the 10% level. For 1946 and 1956, the results were significant at neither the 5% nor 10%

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<sup>18</sup>The officially recorded justification for London's preferment in terms of Council seats was the distance between many provincial areas and London where the meetings of the Council and its committees were held [Council Minutes Book O, p. 227; File 1487].

<sup>19</sup>From the Companies Act 1862 to the Companies Act 1967, there existed a provision prohibiting, in principle, partnerships of more than 20 members. The number of qualified accountants employed in accountancy firms, rather than the number of partners, is therefore considered to be a better indication of the size of the accountancy firm.

**TABLE 2**  
**Membership of District Societies and Number of Council Seats Allocated**

	District Societies												All societies	
	Birmingham		Leeds & Bradford		Liverpool		Manchester		London		Other			
	no.	%	no.	%	no.	%	no.	%	no.	%	no.	%	no.	%
1907														
Council seats	3	6.7%	2	4.4%	3	6.7%	5	11.1%	27	60.0%	5	11.1%	45	100%
Membership	259	7.4%	118	3.4%	176	5.1%	324	9.3%	1,464	42.1%	1,138	32.7%	3,479	100%
1914														
Council seats	3	6.7%	2	4.4%	3	6.7%	5	11.1%	26	57.8%	6	13.3%	45	100%
Membership	372	8.8%	220	5.2%	306	7.3%	507	12.0%	1,948	46.3%	858	20.4%	4,211	100%
1929														
Council seats	3	6.7%	2	4.4%	3	6.7%	5	11.1%	26	57.8%	6	13.3%	45	100%
Membership	643	8.4%	409	5.4%	553	7.2%	825	10.8%	3,511	46.0%	1,691	22.2%	7,632	100%
1946														
Council seats	3	6.7%	2	4.4%	3	6.7%	4	8.9%	24	53.3%	9	20.0%	45	100%
Membership	1,102	9.0%	651	5.3%	696	5.7%	1,285	10.5%	5,391	44.2%	3,062	25.1%	12,187	100%
1956														
Council seats	3	7.5%	2	5.0%	2	5.0%	3	7.5%	21	52.5%	9	22.5%	40	100%
Membership	1,233	9.1%	781	5.8%	731	5.4%	1,353	10.0%	6,245	46.3%	3,155	23.4%	13,498	100%

Source: Ms.28432/20; Membership Lists for 1947, 1957

levels. Given these significance levels, it seems reasonable to conclude that, before World War II, London founder firms were continuously over-represented on Council though this effect was diminishing, but that this was no longer the case after the war.<sup>20</sup>

**TABLE 3**  
**ICAEW Membership and Council Seats by Type of Firm**

	London founder firms		Other London firms		Non-London firms		Total	
	no.	%	no.	%	no.	%	no.	%
1920								
Council seats	16	35.6%	10	22.2%	19	42.2%	45	100%
ICAEW members	148	20.6%	210	29.2%	362	50.3%	720	100%
1929								
Council seats	15	33.3%	11	24.4%	19	42.2%	45	100%
ICAEW members	334	18.4%	540	29.8%	937	51.7%	1,811	100%
1939								
Council seats	16	35.6%	8	17.8%	21	46.7%	45	100%
ICAEW members	601	23.8%	723	28.6%	1,203	47.6%	2,527	100%
1946								
Council seats	16	35.6%	8	17.8%	21	46.7%	45	100%
ICAEW members	406	27.8%	338	23.1%	717	49.1%	1,461	100%
1956								
Council seats	15	37.5%	6	15.0%	19	47.5%	40	100%
ICAEW members	681	32.4%	445	21.2%	976	46.4%	2,102	100%

Source: Membership Lists for 1921, 1930, 1940, 1947, 1957

To examine further the extent to which councilors were recruited by "a sort of 'apostolic succession'" [*Accountant*, May 21, 1904, p. 669], 60 long-standing provincial firms were identified through the same procedure used to detect the 30 London founder firms. From the combined list of 90 founder firms, we were able to calculate that 157 (58.4%) of the 269 councilors in public practice over the period 1880-1970 stemmed from those origins. Even if we exclude the original 45 members, we find that 112 (50.0%) of the 224 members subsequently appointed to the Council had the founder-firm root. Despite the rule established in 1883, restricting to a maximum of two the number of partners in the same firm and working from the same principal place of business serving on the Council at the same time [*Council Minutes Book Y*, p. 4; File 1490], 64 of 112 (57.1%), councilors

<sup>20</sup>One reason for this change was that, during World War II, the London founder-firm membership fell by only 32.5%, whereas that of other firms fell by 45.2%. Hence the imbalance of the pre-war era was resolved, not by a proportionate reduction in the number of Council seats for London founder firms, but a larger fall in membership among other firms.

were recruited from just 19 large London firms.<sup>21</sup> Moreover, 36 of the 112 members (32.1%) and 30 of the 64 London councilors (46.9%) were there as the result of "apostolic succession," i.e., a partner from the same firm was appointed to replace a councilor who had resigned.

Turning to business members' representation, we have seen that they had no representation whatsoever on the Council until 1943, and that they received their first quota allocation of five out of 45 seats or 11.1% in 1950. We have also seen that business members accounted for 17.2% of traceable membership as early as 1939, and we are able to interpolate from Table 1 a business membership of about 30% between 1946 and 1956. Later, in 1964, according to an estimate made by a GPC sub-committee, "10,000 or more members of the Institute...are engaged in commerce and industry" [GPC Minute Book R, pp. 135-136] at a time when the total U.K. membership was 23,285 [Membership List, 1964]. Therefore, even when the quota was increased to 15 out of 60 in 1965, business members were still seriously under-represented on the Council.

The evidence presented in this section reveals that, consistent with criticisms directed at the composition of the Council by the ICAEW's members and the press, its non-representative character persisted throughout the period 1880-1970, despite a series of initiatives designed to improve the situation.

*A Self-Perpetuating Oligarchy – the Historical Dimension:* In this section so far, we have studied changes made by the ICAEW in response to continuous and vehement criticism of the self-elected characteristic of the Council and the under-representation of a variety of sectional interests. We have also seen that two world wars provided important opportunities to review critically the oligarchic nature of the Council. World War I made influential chartered accountants aware of the growing importance of business accounting within the portfolio of work that constituted contemporary professional practice and encouraged progressive practitioners, such as Mark Webster Jenkinson, to support claims from business members for representation on the Council. World War II, against the background of a substantial

<sup>21</sup> These included Price, Waterhouse & Co. (9 councilors); Cooper Brothers & Co. (7); Peat, Marwick, Mitchell & Co. (6); Deloitte, Plender, Griffiths & Co. (6); Turquand, Youngs & Co. (5); Whinney, Smith & Whinney (4); Kemp, Chatteris, Nichols, Sendell & Co. (4); Binder, Hamlyn & Co. (4); Barton, Mayhew & Co. (4); James & Edwards (3); Josolyne, Miles, Page & Co. (2); Harmood Banner & Co. (2); and Cash, Stone & Co. (2).



increase in business membership within the ICAEW, encouraged people such as E.M. Taylor again to highlight the issue of business members' representation.<sup>22</sup> These findings support the argument that "democratization tends to follow war" [Mitchell, 1999, p. 771].

We have seen that a number of changes were made that caused the Council to become more representative of the membership in 1970 than at foundation date. Despite such changes, however, we must conclude that the fundamental nature of the Council, as a self-elected oligarchy, remained substantially intact, with the mechanisms employed to defend that characteristic including (1) the quota system used to allocate Council seats to London and provincial societies; (2) the re-election of retiring members; (3) the Council's power to fill a vacancy arising between AGMs; (4) the Council's power to choose between nominations put forward by the provincial societies; (5) the Council's control over the consultation process with the London & District Society; (6) the creation of "pools" of non-practicing members with Council retaining the power to choose between nominations put forward; and (7) the co-option of additional "suitable" members at the absolute discretion of the Council. These mechanisms comprise overwhelming evidence of "weak procedural guarantees in competitive elections" highlighted as important features of an oligarchic leadership by Jenkins [1977, p. 570].

The Council of the ICAEW also exploited its command over organizational resources [Lipset et al., 1956; Jenkins, 1977, p. 569] in other ways to maintain its traditional character and to silence, sideline, or pacify dissatisfaction among members over their interest representation on Council. Tactics employed included the formation of various advisory and consultative committees such as the Special Committee (1919), the London Members' Committee (1920), the Taxation and Financial Relations Committee (1942), the GPC Sub-Committee (Non-Practising Members) (1951), and the Consultative Committee of Members in Commerce and Industry (1957). These placating measures each played a role to help to moderate members' dissatisfaction with the Council.

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<sup>22</sup>Taylor, at the 1941 AGM, stated that "I have come to the conclusion that reforms must take place in the structure of the Council...There are many problems facing us to-day...when the war is over and hundreds, possibly thousands, of our members come back to civil life, and possibly 1,500 article clerks with little, if any, professional experience come to take up business life... a broader representation on the Council is going to be beneficial to the Institute as a whole" [Accountant, May 17, 1941, pp. 376-377].

The oligarchic character of the Council of the ICAEW existed from the outset and was most intensively attacked immediately following organizational formation in 1880. Michels [1962, p. 167] observes that "With the institution of leadership there simultaneously begins...the transformation into a closed circle." Osterman [2006, p. 623], on this same issue, comments that:

The question of timing...becomes the practical one of the length of time it takes to create a self-sustaining bureaucratic apparatus and internal political system. Put this way, it is apparent that there is no universal answer to the timing question. It depends on the characteristics of the organization in question, such as size of membership, geographic scope, history, and so forth.

The historical dimension is highly significant for this case study. We have seen that the ICAEW was formed from the merger of five existing institutions. Among these, the elite body was the Institute of Accountants which dominated the merger negotiations [Walker, 2004] and also the composition of the ICAEW's initial Council [Edwards et al., 2005]. The Institute of Accountants had, in 1876, been accused by its members of arbitrary and selective procedures for appointing councilors which, as in the case of Kemp's justification for an ICAEW Council consisting of the "great and the good" in 1883, was explained by the need for a strong public profile [Walker, 2004, p. 142]. This latter theme was given particular emphasis by Ernest Cooper who, we have seen, also staunchly defended the composition of the ICAEW's Council when president in 1901. As a highly active member of the Institute of Accountants in the 1870s, Cooper advocated reforms directed towards achieving improved recognition for the profession [cited in Walker, 2004, p. 291]:

Can it be doubted that if the Institute after the Scotch System was introduced here had been actively engaged during the past seven years in ascertaining who are the respectable Accountants and inducing them to join the Institute that the profession would have assumed a much higher position in relation to the contemplated Bankruptcy reform?

For Cooper, to increase the number of "respectable" accountants within the small membership of the elite Institute of Accountants and to have "the best possible men" on the Council of the ICAEW were probably consistent objectives in the sense that both enhanced the influence of the organization in making representation to the government over the content of legislation re-

lating to the accountants' business. We might therefore conclude [see also, Walker, 2004, p. 139] that the Council of the Institute of Accountants in London institutionalized its character as a self-perpetuating elite during the 1870s, an historical characteristic inherited by the ICAEW.

The most important difference between the real case of the Council of the ICAEW and oligarchy typically envisaged in the political theory of organization is in motive. In theory, oligarchy emerges because the positions occupied by leaders of the organization "provide them with economic rewards and social status" [Osterman, 2006, p. 623]. However, in the process whereby the ICAEW Council initially formed and subsequently maintained an oligarchic characteristic, evidence of the councilors enjoying direct personal gains from their positions remains unidentified, although, as Smallpeice [1944, p. 46] recognized, achieving the position of councilor itself represented "a high honour for practising members and is much prized...as a mark of esteem and a reward for outstanding service in the profession." Aside from personal motives, the dominant concern when constructing the composition of the Council was to maintain and enhance, as indicated by Kemp's 1883 comment, the political influence of the ICAEW in making representations to the government over, for example, the content of legislation relating to its business. From its experience when acquiring the Royal Charter in 1880, the Council of the ICAEW appears to have assumed that the influence of councilors from the London founding firms would be of crucial importance for the purpose of maintaining its political standing.

Reflecting its oligarchic character, the biased composition of Council proved highly significant in a negative sense at the time of the 1970 scheme for integrating the six senior professional accountancy bodies in Britain. It was members who were either not represented or under-represented on the Council that featured prominently in rejecting the leadership's plans. The political crisis is next examined.

### THE 1970 INTEGRATION SCHEME

The 1970 merger plan had been approved by five of the six senior professional bodies involved when, "virtually at the last moment, a campaign was launched by two members of the English Institute" [Tricker, 1983, p. 40]. H.T. Nicholson and B.W. Sutherland criticized the integration scheme as involving "an unacceptable dilution of the high professional standards

of the Institute" [*Accountant*, July 16, 1970, p. 73]. It is widely acknowledged that, principally as the result of latent opposition mobilized by their intervention, the integration scheme was rejected by 16,845 votes against 13,700 with 64.1% of the ICAEW's membership taking part in the poll.

For Nicholson and Sutherland, the scheme had been projected by "men in a hurry", who refused to recognize that sound development could only come by a process of steady evolution, and were obsessed with the idea of creating the biggest body of accountants in the world" [*Accountant*, July 16, 1970, p. 73]. As far as business members were concerned, integration would result in "people [becoming] called chartered accountants who have never worked in a professional office" [*Accountancy*, September 1970, p. 635; see also, File 1477: 17 (34)]. For provincial practitioners, integration was considered to produce "an unacceptable dilution" of status [*Accountant*, July 16, 1970, p. 73; see also, *Accountancy*, September 1970, pp. 635, 637]. And for younger members who had recently suffered the trauma of qualifying examinations, integration was seen as a retrograde step that would lessen the value of the chartered credential [*Accountancy*, June 1966, p. 443].

The outcome was described in the ICAEW's mouthpiece, *Accountancy* [September 1970, p. 637], as "a disaster for the accountancy profession as a whole, and for the Institute especially," while *The Accountant* [August 20, 1970, pp. 229-230] made the following assessment of events:

it might have been tempting to accuse a few individuals, whose opposition has been particularly determined and perhaps more articulate than most, of having wrecked the scheme; but it seems plain that these gentlemen have done nothing more than to provide, at the most, a focus for the considerable measure of dissatisfaction and dissent which already existed.

Within the confines of Moorgate Place, similar sentiments were expressed in a less gracious manner by the then-president of the ICAEW, C. Croxton-Smith [Council Minutes Book AC, p. 383]:

Over the past ten years...some 20,000 new members had been admitted. Many of these were in small industrial companies and felt that they derived little benefit from membership other than the qualification which they wished to retain at a minimum cost. The integration scheme had produced an unholy alliance between

these members and some small practitioners whose motives for rejection of the proposals were quite different.

The people leading opposition to the scheme, Nicholson and Sutherland, partly attributed failure of the integration initiative to the fact [*Accountancy*, September 1970, p. 636] that:

the Council [of the ICAEW] is not really in touch with the body of the members. They are all very busy men, and we are certainly not attacking them personally. It is more a fault of the system. There should be far fewer papers to read, and more chances to talk to the 'constituents'...If they are not careful they lose touch with grass-roots opinion, and this is what happened in this case.

An in-depth study of the integration episode conducted by Shackleton and Walker [2001, pp. 277-278] locates the "detachment of office bearers [the Council] from their constituents [the members]" as "perhaps the most notable feature of the unification attempt of the 1960s." They continue [Shackleton and Walker, 2001, pp. 277, 280; see also, Willmott, 1986, p. 571]: "As was starkly revealed in August 1970, it is ultimately the memberships of the professional bodies who have the power to accept or reject constitutional change," and conclude: "The price of a disdainful and non-consultative approach towards the membership was revealed when the result of the ICAEW ballot was declared."

*Evidence of "Detachment" and "Disdain":* The under-representation of business members and provincial practitioners on the Council was not, therefore, simply a matter of principle; the biased composition had implications for how the ruling body behaved. It meant that they failed to comprehend the conflict between the priorities of business, provincial, and also younger members compared with those of the leadership dominated by the big London firms. But it went even further than that and, in this sub-section, building on Shackleton and Walker's [2001] findings, we present specific evidence of a lack of respect on the part of the Council for legitimate concerns expressed by the membership.

*Statements of Auditing:* A series of *Statements of Auditing* was launched by the ICAEW in 1958 to help auditors fulfill their obligation under the Companies Act 1948 to express an opinion on whether a company's published accounts "give a true and fair view" [T&R Committee Minutes Book B, p. 259]. The series

was soon the subject of severe criticism from regional district societies. For example, the *Statement* dealing with the auditor's duty in relation to stock-in-trade (1961) was opposed by five provincial societies (Manchester, Northern, Nottingham, South Eastern, and South Wales) on the grounds that it was "in some respects in advance of current practice and might prejudice the position of auditors in law by appearing to render attendance at stocktaking mandatory" [T&R Committee Minutes Book C, p. 164]. The Manchester Society was particularly worried about the workload of the small practitioner [Council Minutes Book T, p. 235], while the London & District Society drew attention to the apprehension expressed by a "substantial minority" of its membership to an official document that amounted to a "voluntary extension of the auditor's responsibility" [London & District Society Minutes Book D, p. 98].

The Chairman of the ICAEW's Parliamentary and Law Committee, H.A. Benson of Cooper Brothers, nevertheless informed the January 1962 meeting of Council [Council Minutes Book T, p. 212] that:

it was in the interests of the profession that the document [on stock] should be issued as soon as possible particularly having regard to the [Ninth] International Congress [of Accountants] to be held in New York in September 1962 when it was important that the Institute should be able to demonstrate that it is a leader in auditing standards.

It appears that political considerations arising from the U.S. case of McKesson & Robbins (1939)<sup>23</sup> were driving the leadership's actions. The Council attempted to make "attendance to observe stocktaking" an effective obligation for small as well as large public practices partly, at least, to enable the ICAEW to be seen as leading the development of U.K. auditing standards at the upcoming event.<sup>24</sup>

<sup>23</sup>When accepting the audit of McKesson & Robbins Ltd. in 1924, Price, Waterhouse & Co. agreed not to make a physical examination of inventories. One consequence was an audit failure to detect \$10,100,000 of fictitious stock and the introduction of U.S. regulations requiring this to be done [Baxter, 1999, pp. 157, 162; Previts and Merino, 1979, p. 259].

<sup>24</sup>Another example of a disregard for views expressed by provincial practitioners occurred in 1966 when "a majority of the regions" opposed the issue of a statement on "auditing procedures in connection with the verification of investments" [Various Sub-Committees Minutes Book D, p. 102].

*Fellowship Rules:* The ICAEW's Royal Charter divided membership into two categories, fellows and associates, with senior fellowship status confined to those who had been continuously in practice as public accountants for five years. With business members often leaving public practice soon after qualification, it was therefore unusual for them to achieve fellowship status. As early as 1922, several issues of *The Accountant* [March 11, 1922, p. 331; March 18, 1922, p. 384; April 15, 1922, p. 507] published letters from business members requesting an extension of the fellowship arrangements.

We have seen that, as the number of business members increased significantly (Table 1), pressure for representation on the Council grew. The same was the case with the fellowship issue, with H.F. Bowser and J. Sandford Smith tackling the secretary of the ICAEW, R.W. Bankes, on the issue in 1944. Because of the two-tier scheme of credentials, in Bowser's estimation, "the view is fairly generally held that Associate Members of the Institute in England are a kind of inferior brand of Chartered Accountant" [Ms.28435/2; File 0436]. Sandford Smith also focused on the implications of the fellowship rules within the public domain [Ms.28435/2; File 0436]:

While all accountants know that 5 years in practice is the only qualification at present called for to obtain the fellowship, the business world generally is not aware of this fact and attaches a notable degree of importance to the difference between an A.C.A. and a F.C.A.

The request for access to fellowship status was referred to the Charter and Bye-laws Sub-Committee in 1946, where it was resisted by such luminaries as Sir Harold Howitt of Peat, Marwick, Mitchell & Co. [Ms.28435/2; File 0436]. Council's negative decision drew a critical response from business members, eliciting a promise to review the matter and solicit the views of district societies [*Accountant*, May 1, 1948, p. 345]. Despite the discovery that seven district societies either favored or had no objection to reform, compared with five against, the GPC reported that "there is no real demand for fellowship from the general body of associates not in practice" and that "fellowship should continue to mark responsibility of the accountant in practice" [File 0436]. The Council in January 1950 confirmed the GPC's conclusion that "it is undesirable that a new bye-law be introduced to provide for the election to fellowship of members not in practice" [Council Minutes Book O, p. 47].

Dispute over the extension of fellowship status to business

members rumbled on and was not settled until the proposal that "associates [automatically] become fellows on the first day of January which follows the completion of ten years' membership of the Institute" [Council Minutes Book S, pp. 2-3] was carried at the 1959 AGM and confirmed overwhelmingly by a vote of 14,231 in favor compared with 3,825 against.

The detached and disdainful attitude of the Council towards the wider membership is further reflected in a report prepared by a GPC sub-committee (1964) at around the time that the move for integration was about to surface. It contained the following somewhat arrogant assertion in relation to governance [GPC Minutes Book S, p. 58]:

Whilst constitutionally members of the Council are elected by the membership as a whole, the Council cannot absolve itself from the responsibility for ensuring that only men of right calibre and who between them cover the wide range of knowledge which is needed on standing committees [of the Council] are selected.

The report added [GPC Minutes Book R, pp. 135-136]:

whilst it is right that due regard be paid to services rendered to a district society, the emphasis when considering the election of new members [of the Council] must be designed to secure the services of the best men in the profession compatible with the current needs of the Council.

#### ELECTORAL REFORMS POST 1970

Rejection of the integration scheme spectacularly revealed the willingness and ability of the rank-and-file to challenge the authority of the Council. Moreover, it provided "a dramatic shock to traditional ideas about [the ICAEW's form of] governance" [Tricker, 1983, pp. 40-41], and, as an immediate response to the "disaster" [*Accountancy*, September 1970, p. 637], the Council appointed a Committee chaired by Douglas Morpeth of Touche Ross with broad terms of reference, "to consider the objectives of the Institute and the policies it should pursue" [Council Minutes Book AC, p. 275]. The accounting press welcomed the appointment of a young committee with "an average age of 44" [*Accountant*, October 15, 1970, p. 502] which comprised "members from all sides of the profession, including those in practices both large and small, those employed in a range of capacities by industrial companies of various sizes, and those in education" [*Accountancy*, November 1970, p. 756].



The Morpeth Committee reiterated concerns that appointments to the Council were not made on a “fully democratic basis” [*Accountant*, February 24, 1972, p. 237]. Recommendations for district society-based elections by postal ballot were judged to have three advantages – elections would be democratic; there would be a greater likelihood of members knowing the candidates; and it might also stimulate the interest of members in their local society’s activities. *Accountancy* [June 1971, p. 293] welcomed the proposals on the grounds that “Many members look upon the Council as some form of self-perpetuating oligarchy” whereas “a postal ballot will appear more democratic to the average member.”

The Council presented the proposals to a special meeting on September 27, 1972, where they were approved with 6,792 (97.5%) votes in favor and just 173 against [*Accountant*, October 5, 1972, p. 416]. *Accountancy* [April 1983, p. 25] later assessed the underlying philosophy of the reforms in a broadly favorable manner:

a system of regular Council elections by District Society areas was introduced [in 1972], giving members a decisive role in the selection and control of Council... In particular, the Council considers it both ‘entirely proper and in accordance with modern practice’ that a democratically-elected Council should have the power to manage the Institute’s affairs.

We can conclude that the Morpeth Committee’s central recommendations, direct election at district society level by postal ballot was an important break from the past system for electing councilors.

*Subsequent Developments:* At the time of the 1972 reforms, *The Accountant* [July 6, 1972, p. 3] conjectured that the new arrangements might “place upon the membership a heavier burden than some have hitherto shown themselves prepared to bear... apathy and inaction, unless checked, could rapidly prevent the new measures from accomplishing anything better.” These concerns proved well-founded with annual elections conducted under the new scheme between 1973 and 1994<sup>25</sup> attracting turnouts ranging from 15.2% to 24.1% [File 1490]. In Tricker’s [1983, p. 30] es-

<sup>25</sup>In 1995, further important amendments to the system of election were made as the term of election was shortened from six to four years; the number of elected members enlarged from 60 to 70; and the introduction of “assured” seats, with one seat per constituency reserved for a business member [File 1489].

timation, "the Institute is remote from the immediate concerns of most members and its governance is a matter of singularly little importance to them." This loss of commitment and energy on the part of the membership, a typical symptom of oligarchic leadership, is called "becalming" by Zald and Ash [1966, p. 334] and described as follows by Michels [1962, pp. 60-61]:

The indifference which in normal times the mass is accustomed to display in ordinary political life becomes, in certain cases of particular importance, an obstacle to the extension of the party influence. The crowd may abandon the leaders at the very moment when these are preparing for energetic action...Accustomed to be ruled, the rank and file need a considerable work of preparation before they can be set in motion.

As a consequence of the oligarchic leadership structure that dated from the creation of the ICAEW, the membership seems to have eventually lost interest in the election of councilors,<sup>26</sup> but when major strategic decisions need to be made, as in 1970, they are galvanized into action. For example, plans for the introduction of radical, new current cost accounting-based financial reporting models were the subject of revolts, led by D. Keymer and M. Haslam, that produced turnouts of 46% (28,696) of the membership to reject *Exposure Draft 18* in 1977 and 41.4% (30,557) to vote on calls for the "immediate withdrawal" of *Statement of Standard Accounting Practice 16* two years later [Tweedie and Whittington, 1984, pp. 135-136, 147-148]. Merger initiatives involving CIPFA in 1990 and 2005 also generated substantial turnouts, 36% and 44% respectively. Indeed, the issues that motivated members into action included not only those directly affecting their immediate interests, but also those that did

<sup>26</sup>In this connection, Leach [2005, p. 331] suggests that "It could be that the majority was happy to leave the work of governance to a minority, as long as that minority remained accountable and did not jeopardize the majority's interests. But as often happens with long-term incumbency, this abdication of responsibility, however consensual it might be, can easily lead to a situation of dependence where people do not feel entitled or qualified to intervene – even when they suspect their interests are being threatened – because they have not been involved in the process." If the minority then indeed makes illegitimate decisions exceeding the range consigned by, and threatening the interests of, the majority, the situation clearly illustrates a case in which directional flow of causation between oligarchic leadership and members' loss of commitment is reversed. However, in the case of the ICAEW during the period from 1880 to 1970, the reversed directional flow of causation is inapplicable because the oligarchic character of the Council existed from the outset in 1880, and a series of members' requests for reform then followed at least up until 1965.

not, such as the Council's plan to introduce options into the final examination. Moreover, the membership even proved capable of instigating a radical scheme designed to achieve democratic election of the ICAEW's president, an initiative pursued for the purpose of avoiding maldistribution of power and "to make sure one section of the membership [Council] does not exercise tyranny" [*Accountancy*, July 1996, p. 11].

When the new electoral system was introduced in 1972, *Accountancy* [August 1972, p. 4] drew attention to the difficulty of recruiting suitable candidates from under-represented sectors and specifically suggested that "it will be no easier for senior employees of larger companies to serve on the Council under the new system than under the old." It was anticipated that at least some of these concerns could be effectively addressed by substantially increasing the Council's powers to co-opt, from 6 to 20 members, but achievement of a proper balance between job interests in fact proved elusive. The number of *elected* business members initially increased from 15 (25.0% of a total of 60 elected councilors) in 1972 to 18 (30.0%) in 1981, but then fell to 10 (16.7%) by 1994. Compared with their total U.K. membership (37.8% in 1983, 40.2% in 1990, and 57.3% in 2001), business members remained heavily under-represented on a Council still dominated by practitioners.<sup>27</sup> This continued imbalance did nothing to resolve concerns about the availability to the Council of the full range of specialist knowledge impinging upon the activities of the ICAEW's membership. Another cause of anxiety was the lack of continuity in the expertise available to the Council, with 137 new members elected as the result of vacancies arising during the period from 1973 to 1994. To address these issues, the Council made good use of its extended power to co-opt, with such members rising from three (4.8% of a total of 80 councilors) in 1972 to the full complement of 20 (25%) ten years later [Council Minutes Books AA-AV; File 1490]. This enabled the Council to bring in business members and academics to supply specialist knowledge not otherwise available to it, as well as past-presidents and former chairs of Council committees to supply "executive talents" [Tricker, 1983, p. 27], experience, and continuity in the governance of Institute affairs.

Nevertheless, continuing concern with the lack of interest and involvement of the members in the elections of councilors and, therefore, the lack of Council's own legitimacy, led to a

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<sup>27</sup> File 0433; File 7-8-5; *Accountancy*, August 1990, p. 162; <http://www.icaew.co.uk/institute/statistics/document.asp>.

series of committees being appointed (Worsley 1983-1985, Green 1990-1991, Woodley 1993, Gerrard 1996) whose reports resulted in a plethora of administrative changes to the composition of the Council (e.g.; increase in elected membership to 70, extension of powers of co-option to include large-firm partners, younger members, and chairs of Boards and Faculties) and the system of governance (e.g.; creation of the office of chief executive, the Executive Committee, and the office of secretary-general).

The Council also strove to reach out to different segments of the membership and, thereby, directly stimulate interest in Institute affairs by establishing "Boards," "Faculties," and "Focus Groups" [*Accountancy*, November 1985, p. 181; June 2000, p. 10]. These initiatives succeeded as judged by the numbers joining [*Accountancy*, January 1991, p. 15; July 2000, p. 24; August 2000, p. 24], but failed to connect the members' interests with the election of councilors which continued to be based on the geographical areas represented by the district societies without giving any electorate status to these job-interest groups.

We can therefore see that, in the period following the political crisis of 1970, the Council made serious efforts to overcome symptoms of oligarchic leadership and revitalize the membership [Voss and Sharman, 2000, pp. 304-305]. In the Council's own words, since 1970, it has searched for "the methods by which we could ensure that Council is representative of the membership; the steps to be taken to involve members fully in policy development; the [better] relationship of district societies with Moorgate Place; and the way in which we look after the interests of our members" [*Accountancy*, June 1991, p. 8]. However, the fact that members still remained disconnected in 1991, and there is no evidence that the situation has since improved, is indicated in the following comment made in that year [*Accountancy*, December 1991, p. 20]:

a growing number of members have been asking whether the services the Institute provides represent value for money. From their point of view, the increasing financial burden of maintaining the chartered accountancy title, at a time when resources are under pressure, involves a substantial outflow of those resources for which they say that they see little in return in terms of protecting and representing their interests.

#### CONCLUDING COMMENTS

Between 1880 and 1970, the Council of the ICAEW responded to membership requests for better representation by making

changes to the constitution of the Council. These changes failed to alter the fundamental nature of the Council as a self-elective oligarchy substantially biased in favor of large London founder firms. This historically contingent but deep-seated characteristic of the Council was protected mainly through (1) continuous re-election of retiring members; (2) Council's control over the process of filling vacancies; and (3) arrangements for the Council to co-opt "suitable" members. The Council also silenced, sidelined, or pacified dissatisfaction among members concerning lack of representation on the Council by creating various advisory and consultative committees. Consistent with the literature of political theory [Lipset et al., 1956; Jenkins, 1977, p. 569], these are the tactics that the leadership of an organization typically wields to maintain its oligarchic character. However, the Council wished to maintain its traditional character, not principally for the purpose of direct personal gain as normally envisaged by the political theory of organization, but mainly to maintain political influence [Richardson, 1989; Walker, 2004, p.142] when making representations to the government over the content of legislation relating to the practicing accountants' business.

This historical study has revealed that the oligarchic character of Council, as theoretically prescribed, caused the leadership to become complacent, possibly disdainful, and certainly detached from the interests of the membership, as demonstrated when issuing *Statements of Auditing* and, for many years, resisting changes to the fellowship rules. These kinds of actions, combined with the continuing dissatisfaction with lack of representation on the Council, resulted in the disregarded sections – business members, provincial practitioners, and younger members – being mainly responsible for rejecting the integration scheme in 1970.

Between 1970 and 1972, the electoral system of Council was reformed, with an internal review acknowledging the fact that under the new arrangements, there could "be no restriction on the way the electorate nominates or votes and no attempt by the Council to 'rig' elections by insisting on a specified type of candidate or preventing certain candidates from standing. It was for the electorate itself to determine such matters" [File 1490].

The reforms introduced district society-based elections by postal ballot and have been hailed as "An attempt...to involve members in the governance process, to emphasize the geographical constituencies and to highlight the representation of members on Council" [Tricker, 1983, p. 41]. In practice, the new

system failed to arouse members from their "becalmed" attitude [Zald and Ash, 1966] towards ICAEW affairs. Nor have numerous subsequent initiatives proved successful in increasing the general level of membership involvement in Council elections. When, however, the leadership has attempted to take the ICAEW in some radical new direction, the level of interest becomes relatively substantial and opposition to the Council's plans often unambiguous.

In brief, actions taken by the rank-and-file have persistently shown that Council's authority remains seriously diminished. Although the Council installed a more democratic system for electing new leaders, it failed to stimulate the members' interest so that they might connect better with the leadership. While we do not claim that the 1970 debacle irretrievably damaged the authority of the leadership, it is certainly the case that the "disaster" fundamentally problematized the governance arrangements and heralded the start of a period of continuous reform that has not borne fruit.

Within the U.K., the ICAEW is not alone in grappling with problems of governance. A recent academic study [Friedman and Phillips, 2004] of models of control within professional associations reports the conclusions of a seminar held at Birkbeck College, University of London (November 28, 2000), entitled "Governance for Professional Associations in the 21st Century." The seminar, arranged by the Professional Association Research Network (PARN), was attended by representatives of 35 professional bodies, including the ICAEW.<sup>28</sup> These delegates shared a concern that their governance structures were inadequate to meet the demands placed on them. In particular, they identified "composition of councils and electoral process" as a major issue leading to difficulties in conducting policy formulation and in arriving at strategic decisions [Friedman and Phillips, 2004, pp. 194-195]. Friedman and Phillips [2004, p. 188] conclude that "Even the associations of professionals from which many top business executives are drawn, such as accountancy and law, have suffered from crisis and failures in governance."

The PARN seminar is significant in highlighting the problem of leadership legitimacy faced by professional bodies today. When considering how best to reform the constitution of the

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<sup>28</sup>The seminar led to the PARN undertaking a research project co-sponsored by the ICAEW. The research findings were presented at a seminar, entitled "Governance: the management of change and the management of risk," held at Woburn House, Tavistock Square, London, on January 8, 2003.

Council, the ICAEW had in fact researched and sometimes imitated election arrangements put in place by the governing bodies of other professional associations. Such bodies included not only other accountancy associations but also other professional organizations such as the Law Society, Royal College of Surgeons, Royal Institute of British Architects, and the Chartered Surveyors' Institution [Ms.28432/19; Ms.28448]. Through the PARN, or alternative forums, the ICAEW might gain further insights into the measures taken by other bodies to deal with the legitimacy issue. To promote the mutual learning process, further research into other organizations might help clarify the nature of the issue of governance of professional associations by, for example, comparison with the case of the ICAEW.<sup>29</sup>

For the present, this study enables us to predict that the ICAEW's quest for a scheme to address better the need for representative and effective governance of a professional body will continue into the future and, until that problem is resolved, the crisis of authority that the Council has repeatedly experienced in its recent history is likely to recur.

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<sup>29</sup> Also, in this context, counter-factual studies, which explore "how events might have turned out differently at a number of key nodal points" [Rutherford, 2007, p. 285] had the ICAEW's Council adopted alternative strategies available to them, might prove insightful.

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